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## NEWS SUMMARY

### GENERAL

#### 'Mutiny' sparks Kabul curfew

An all-night curfew was declared in the Afghan capital of Kabul last night after a day of fighting believed to have been an unsuccessful mutiny by part of the army against the pro-Soviet Government of President Nur Mohammed Taraki.

Radio Kabul blamed "Pakistani" and "Iranian" infiltrators and said they had gathered near a military barracks in the city and fired a salvo before being wiped out. But residents said the fighting was heavy with tanks and mortars in action as well as helicopter gunships.

Diplomats in Kabul said the fighting represented the most serious challenge yet to Taraki's regime, which is already facing a rebellion in the countryside by Moslem tribesmen. Page 2

### BUSINESS

#### Danish krone weakest EMS unit

DANISH krone was the weakest member of the European Monetary System throughout last week, replacing the Belgian franc. On Friday the Danish unit was calculated as being only just within its maximum permitted divergence against the ECU. Elsewhere pressures experienced recently eased considerably, with interest rates showing some signs of stabilising. The lira remained the most improved currency and appeared to be unaffected by recent political uncertainty in Italy.

#### New Government

A new Italian Government, led by Christian Democrat Francesco Cossiga, was sworn in yesterday, ending the country's longest, most bitter and confused government crisis for 30 years. Back Page.

#### Iran assembly

With nearly two-thirds of the results declared, national elections in Iran, a constituent assembly in Tehran, is expected to convene on August 12. The assembly will have a minimum number of 500 members. Page 2.

#### Transplant on

Britain's second heart transplant operation, due to be performed at Papworth Hospital, Cambridge, was called off because the patient's condition had not deteriorated as expected.

#### Dearer petrol

The Irish Government has increased the price of petrol by another 12p a gallon, the fourth increase since January - taking the cost of top grades to £1.23 a gallon.

#### Snub for UN

Israel will not cooperate with the United Nations Truce Supervision Organisation in its attempt to reverse Israel's withdrawal from Sinai after a Cabinet meeting. Page 2.

#### Raid protest

Lebanon has lodged a protest with the United Nations Security Council over an Israeli raid last week in which five Lebanese Christians were killed and three Palestinians wounded.

#### Wells record

Alan Wells smashed his British 200 metres record by two tenths of a second when he finished in 26.29 seconds to win for Britain in the Europa Cup athletics final in Turin. Sebastian Coe was an easy winner of the 800 metres.

#### Together again

Eric Morecambe and Ernie Wise held a reunion yesterday and laughed at rumours that Eric's major heart operation would stop them returning to the nation's TV screens.

#### Briefly

Greek police are investigating the death of Glaswegian William Tran, whose bruised body was found on a beach near Rhodes.

Britain's Graham Noyce became the new world 500 cc motor-cyclo champion following results of the San Marino Grand Prix.

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## Commonwealth delegates back UK initiative

# Framework agreed for Rhodesia constitution talks

By DAVID PALMER, MARTIN DICKSON and MICHAEL HOLMAN in Lusaka

A framework for a new British initiative leading to a Rhodesian constitutional conference was agreed by six key Commonwealth nations in Lusaka over the weekend. It will be presented to the British Cabinet on Friday.

The agreement will be put to a full session of the Commonwealth Conference for formal endorsement today. A text of the agreement, which will form part of the final conference communique, may be released tonight.

There are expected to be two principal elements to the final document:

1—Britain will draw up fresh constitutional proposals to be sent to all interested parties to the Rhodesia dispute very soon, probably next week. If and when the Government feels that the response to those proposals is sufficiently constructive, then a constitutional conference will be called.

2—The absentees: The Muzorewa government in Salisbury, and the leadership of the two Patriotic Front guerrillas groups, have not participated in the Commonwealth talks. It is far from certain that they will go along with the initiative on terms acceptable to everyone else.

### Approach

2—There will be movement as rapidly as possible from the constitutional conference to new elections in Rhodesia. These will be monitored and supervised by Britain.

The approach by Lord Carrington, the Foreign Secretary, and of President Julius Nyerere of Tanzania, the two moving forces behind the initiative, is to take the Rhodesia issue step by step. The first step is seen as the make-up of the constitution itself.

### Lobbying

As far as Salisbury is concerned, the British are expressing optimism. This is based in part on their talks last night with Bishop Muzorewa, the Zimbabwe-Rhodesia Prime Minister, and in part on a statement he made on Friday night that Mrs. Margaret Thatcher's criticism of the internal settlement constitution came as no surprise to him, and that he was prepared to talk to the Patriotic Front.

As for the Patriotic Front, there has been no formal contact between them and the British during the Lusaka conference. Mr. Joshua Nkomo, the leader of ZAPU, and Mr. Edgar Teka, secretary general of ZANU, have been busy lobbying other delegations.

In the mood of optimism that was at large in Lusaka last night, there was a feeling that the two key Commonwealth front-line States—Tanzania and Zambia—could lend sufficiently hard on the Patriotic Front to carry them along. It is a view that will now be put to the test.

Continued on Back Page

## Limited support forecast for engineers' strike today

By NICK GARNETT, LABOUR STAFF

ENGINEERING EMPLOYERS yesterday predicted that today's national one-day strike over a claim on minimum pay rates would receive only limited support.

The union's national overtime ban, which started a week ago, has affected about 1,000 of the 6,500 companies in the Engineering Employers Federation, according to company figures. It is in support of a minimum £80 a week craft rate.

The federation said that maintenance staff in a considerable number of companies that were shut last week because of holidays had been hanning overtime.

It is not clear how this will influence figures this week. But the federation said that maintenance staff in a considerable number of companies that were shut last week because of holidays had been hanning overtime.

There have been some signs of groups of shop stewards adopting a tough approach. The joint shop stewards committee at Rolls-Royce in Coventry has issued letters to a large number of sub-contracting companies saying that if they are not closed down today their goods will be blocked by the Rolls-Royce workforce.

Union leaders have already warned that an all-out strike and selective area strikes cannot be ruled out. Mr. Terry Duffy, president of the Amalgamated Union of Engineering Workers, said yesterday that he expected maximum support today.

"If the employers do not concede during the next two weeks, we are committed to step up the campaign," he said.

Mr. Duffy claimed that 80 engineering companies, including some federation members, had now conceded the unions' claim in full.

Mr. Anthony Frodsham, the federation director-general, said at the weekend that companies were not being intimidated by the action. There was no truth in claims of widespread concessions by employers.

Apart from the money claim, the unions are seeking a one-hour reduction in the working week this year, two days' extra holiday and a common implementation date for the new national agreement.

The employers have offered to increase the craft rate from £60 to £70, the unskilled rate from £45 to £50 and semi-skilled rates by 11 per cent. They have also proposed a working party on conditions.

## Crown Agents shortlist private firms to take over audit

By MICHAEL LAFFERTY

THE DEPARTMENT OF Audit and Audit Department during the years 1967-74 when the Agents incurred losses of over £200m as a result of its incursion into secondary banking.

The subsequent Fay committee report into the affair, published in December, 1977, recorded that by October, 1974, there were no audited accounts for the Crown Agents later than 1971, and no urgency over producing up-to-date accounts. Accounts audited by the Department ought to have served as an annual public record, as a management tool, and as a means of providing the Government with information. But, for various reasons, the accounts failed to perform these functions, said the report.

Mr. Alan Molesworth, Crown Agents Finance Director, refused to identify the firms on the short list. But it is considered likely that the firms concerned come from the following: Arthur Andersen, Arthur Young McClelland Moores, Coopers and Lybrand, Deloitte Haskins and Sells, Ernst and Whitney, Price Waterhouse, Peat Marwick Mitchell, and Thomson McLintock. The audit fee is in the region of £100,000 a year, but Mr. Molesworth said the firm eventually selected might be expected to absorb some of the learning costs associated with a new client.

The shortlist is not believed to include any of the medium-sized firms which had been invited to tender for the audit. However, some major firms did not impress the Crown Agents management with the quality of their presentations. The step will involve the shortlist firms appearing before the Crown Agents.

## BNOOC wants Government to get tough

By RAY DAFTER, ENERGY EDITOR

THE GOVERNMENT is being asked to impose tougher licence conditions on North Sea oil companies which, according to British National Oil Corporation, are failing to drill enough exploration wells.

A confidential report drawn up by BNOOC claims that:

- Oil companies have failed to drill on a large proportion of licensed blocks.
- Companies awarded the most number of blocks "perform less well" than other operators when it comes to drilling exploration wells.
- U.S. operators, responsible for the majority of the territory licensed in early rounds, drill more wells per block than other companies, including those based in the UK.

### Flexible

As a result the corporation has now recommended to the Government that companies should be set a tougher, and more strictly imposed drilling commitment when licences are awarded. One suggestion being made in BNOOC is that companies would have to drill at least one exploration well per block, with an option of a second if the operator and the Energy Department can agree that it is warranted.

BNOOC has also suggested that the Government should adopt a more flexible approach to licensing: that it should move away from issuing licence rounds every other year or so and be willing to offer small numbers of blocks when either the Energy Department or the oil companies should wish. In this way, it is argued, the offshore industry would be able to break from a cyclical trend of high and low activity. Exploration drilling in UK waters is now at its lowest point since 1972.

The study into exploration drilling during the first four rounds of offshore licences was carried out in BNOOC's economic intelligence department. Its results lay behind the recent statement of Lord Kearton, chairman and chief executive of BNOOC, that oil companies had been sitting on unexplored "acreage" and had been telling "outrageous lies" about the corporation.

According to BNOOC's analysis of drilling data, of the 371 blocks and part blocks allocated in the first four rounds of licensing and still held by offshore operating groups, some 38 per cent remained completely unexplored.

On average the industry had drilled 1.21 wells on these licensed blocks. "This is not an impressive performance when one bears in mind that the average size of block is over 250 square kilometres," says the report. "It hardly endorses the view that the North Sea is a mature province."

### Future

It was pointed out in the industry at the weekend that the cold statistics masked the uncertainties of varying geological conditions that occurred in each block. Mr. George Williams, director-general of the UK Offshore Operators' Association rejected the suggestion that the industry had not fulfilled its drilling commitment.

The operators' association is now discussing with Government possible plans for exploiting small finds. It has also submitted its views on future licence rounds. In essence it is hoping that the Government will offer a fair proportion of attractive blocks in the forthcoming seventh round of licences. It is also looking for assurances about a stable tax regime and a much reduced involvement of BNOOC.

What caused Lord Kearton's outburst, Page 17

# DUNSTABLE

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## Fairview

Creating hives for industry

OVERSEAS NEWS

Afghan troops mutiny at Kabul's Bala Hisar Fort

BY SIMON HENDERSON IN ISLAMABAD

PART OF the Kabul garrison apparently mutinied yesterday, confronting the pro-Soviet regime in Afghanistan with its most serious challenge yet.

According to diplomats in Islamabad, shooting broke out after mid-day near the Bala Hisar Fort, a barracks near the centre of the city.

Life in other parts of Kabul was reported to be almost normal, with spectators watching the firing, but streets near Government Ministries were closed and the armoured unit guarding the radio station was reported to be on top alert.

The fighting is reported to have died down after about four hours and the Afghan capital was returning to normal by late afternoon.

Army has been affected in the past few months by the rebellion of Moslem tribesmen in protest at the policies of President Nur Mohammed Taraki's Left-wing Government.

There have been heavy casualties and desertions, sometimes of whole units. The rebels are now said to control about 90 per cent of the country but have lacked the organisation and unity to overthrow the regime.

It was not clear whether Soviet advisers were taking part in the fighting. There are 1,500 Russians serving with the military, and twice as many civilian advisers.

Yugoslavia freezes consumer goods prices

By Paul Lendvai in Vienna

THE YUGOSLAV Government faced with rampant inflation and the danger of a record trade deficit, imposed at the weekend an immediate price freeze on consumer goods and services.

It also raised by 50 per cent the required down payment for goods bought under hire purchase agreements. Upper limits were also put on prices which are normally set freely.

The action was taken on Friday evening in agreement with the Government of Yugoslavia's six constituent republics and two autonomous provinces. Under the Yugoslav system of worker self-management and economic decentralisation, regional authorities and individual companies enjoy much higher degrees of independence in investment and pricing policy than in other Communist countries.

Inflation this year is running at a rate of 19 per cent and the foreign trade deficit during January-May rose by 16 per cent compared to the same period last year to \$2.6bn. If the trend is not checked, it could reach over \$6bn this year as against \$4.3bn in 1978.

Overheated investment, excessive money supply and the high level of public and private spending are the main sources of imbalance in view of this year's poor harvest. Yugoslavia will have to import 700,000 to 800,000 tonnes of wheat.

The latest measures have long been overdue. The annual report on Yugoslavia just published by the Organisation for Economic Co-operation and Development (OECD) bluntly warned the Government that its targets for the deficit and the inflation rate were "unrealistically low".

WORLD TRADE NEWS

India faces cruel dilemma on imports

BY A SPECIAL CORRESPONDENT

INDIA'S programme of import substitution is being accelerated in view of the additional expenditure of over 11bn rupees (\$611m) which India has to spend in importing petroleum products in the current financial year. The demand for petroleum products in 1979-80 has been officially estimated at 31.5m tonnes compared with 26.5m tonnes in the preceding year.

The country had a deficit in its foreign trade of Rs 10,1bn in 1978-79 compared with Rs 6.5bn in 1977-78. The value of exports in the last fiscal year was Rs 58.2bn against Rs 53.7bn in the preceding year and of imports Rs 67.2bn against Rs 60.6bn. Import substitution is expected to gather greater momentum in the coming months.

A high-powered committee is now reviewing the programme and examining what measures are to be adopted for its more effective implementation. The composition of the committee reveals the emphasis that is going to be given to measures in the fields of petroleum, engineering, chemicals and allied products.

India has made considerable progress in import substitution in several areas such as feed grains, textile machinery, iron and steel, aluminium, paper and paper board and ammonium sulphate.

For instance, between 1965-66 and 1977-78, the share of imports in the total supplies of foodgrain declined from 9.7 per cent to 0.2 per cent, in textile machinery (including spares and accessories) from 37.9 per cent to 11.3 per cent, in iron and steel from 16.7 per cent to 1.1 per cent, in aluminium

from 25.6 per cent to 2 per cent, in paper board from 4.5 per cent to 1.8 per cent and in ammonium sulphate from 67 per cent to 0.9 per cent.

The committee is expected to make several recommendations for giving an impetus to import substitution but will they be effective? The high rates of corporate taxation could be reduced to enable companies to generate internal resources and carry out schemes of import substitution. The marginal rate of corporate taxation is 72 per cent for a company in which there are major public holdings, but the savings capacity of the

corporate sector was eroded this year by a rise in the rate of surcharge on corporate income tax from 5 per cent to 7.5 per cent. Industrial circles have been suggesting that the maximum rate of corporate taxation be lowered to 50 per cent. The Government has also indicated that the private sector is estimated to have declined from Rs 10bn in 1976-77 to less than Rs 9bn in 1977-78. A similar trend is also seen in the net capital formation.

Rising oil prices have seriously disrupted India's plans to boost the economy with imported technology and equipment. Now the country is examining new ways of encouraging import substitution, but domestic industry will clearly need a boost if it is to produce substitute goods

Iron and steel and non-ferrous metals, precious and semi-precious stones, chemical elements and compounds, petroleum products, paper and board, vegetable oils, and raw cotton.

In recent years there has been a sharp increase in these imports from Rs 9.7bn in 1976-77 to Rs 11.5bn in 1977-78. In April-September 1978, these imports amounted to Rs 5.5bn against Rs 5.1bn in the same period of 1977.

The import of vegetable oils cost as much as Rs 7.1bn in 1977-78 compared to only Rs 1bn in 1976-77. In April-September 1978 these imports were valued at Rs 3.2bn against

Rs 3.3bn in the same period of 1977. Such heavy imports became necessary in view of the shortfall in the indigenous production of edible oils.

The committee is expected to make several recommendations for giving an impetus to import substitution but will they be effective? The high rates of corporate taxation could be reduced to enable companies to generate internal resources and carry out schemes of import substitution. The marginal rate of corporate taxation is 72 per cent for a company in which there are major public holdings, but the savings capacity of the

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In these circumstances, there is a case for rationalising the corporate tax system to give a boost to industry to expand, diversify, modernise and

achieve faster progress in import substitution. But it remains to be seen whether this proposal is likely to be accepted in view of the large loss of revenue it will cause to the central exchequer.

In the past two years, the Government has been progressively liberalising the import policy and this trend will continue in the future since India needs massive imports of machinery and materials of various kinds to implement her schemes for the development of agriculture, industry, transport, communication and power.

However, liberalisation has created some problems, especially by affecting the growth of certain indigenous industries. In spite of liberalisation, many industries have not shown an inclination to step up imports because of the high level of duties and the shortage of finance, caused by heavy rates of taxation and credit restrictions.

In 1977-78, for instance, the Union Commerce Ministry received only 96,000 applications for import licences compared to 250,000 in the preceding years. This decline is said to be due to the simplification in the licensing procedure and the elimination of the category of "established importers". Even so, the high costs of imports seem to have deterred industries from taking full advantage of liberalisation.

The committee on import substitution has been asked to submit its report by the end of 1979 so that its findings and recommendations can be considered while framing the budget and the import policy for 1980-81.

Clergy dominate Iran Assembly

BY ANDREW WHITLEY IN TEHRAN

WITH NEARLY two-thirds of the results declared from Friday's National Elections to a Constituent Assembly in Iran, it is already evident that, as expected, pro-Khomeini clergy-men will dominate the Assembly.

The main opposition will come from delegates sponsored by the moderate Moslem People's Republican Party (MPRP), which is backed by Ayatollah Shariat-Madari and stands for a plural society with greater democratic freedom than that envisaged by Ayatollah Khomeini's supporters.

of the results has been held up by objections from both the MPRP and the rival Islamic Republican Party (IRP), which claims to have the sole mandate from Ayatollah Khomeini.

Mr. Rahmatullah Moghadam-Margheh, the head of the small Radical Movement, and an apparently successful candidate in East Azerbaijan, said the IRP had held up the declaration in the Turkish-speaking province by complaining that they ought to have had more seats.

Japan subsidies to stimulate domestic shipping industry

BY YOKO SHIBATA IN TOKYO

A GOVERNMENT programme aimed at stimulating the growth of the Japanese merchant fleet through subsidies to the nation's ship-owning concerns is being met with enthusiasm by the shipping industry.

The Japanese Ministry of Transport has announced its intention to boost budgetary outlay for the next financial year in order to meet projected ship tonnage totalling between 1.3m and 1.4m gross tons.

The Government says it intends to grant such subsidies for what are termed "strategic" ships — those which will operate with a crew of 18, instead of 25-50 persons operating at present. Ship-owners submitting plans now to restore the Japanese fleet to a level of international competitiveness will be eligible for such subsidies.

Renault to supply 1000 trucks to Andes Pact

By Terry Dodsworth in Paris

RENAULT VEHICLES Industrie (RVI), the commercial vehicles subsidiary of nationalised French Renault group, is aiming to expand its activities in Latin America with a series of industrial and commercial agreements.

Essentially the most important of these is a deal with Bolivia under which RVI would be responsible for the production of a certain range of vehicles under the terms of the Andean Pact. RVI has been selected to produce light trucks of between 6.5 and 9.5 tonnes, using a high percentage of local components for sale inside Pact countries—Bolivia, Venezuela, Colombia, Ecuador and Peru.

While negotiations are proceeding on details of the agreement, Renault has been asked to supply 1,000 trucks over the next 18 months for local assembly. They will be put together in Bolivia by the state-owned Cofadenca organisation.

In Venezuela, RVI will step up its exports of parts for locally assembled 18- to 24-seat mini-buses. In 1978, the company sold 120 vehicles in Venezuela. This will increase to 200 this year.

RVI is also trying to establish a foothold in Chile, which opened its market to foreign commercial vehicles last September. This year Renault's wholly-owned Chilean subsidiary is hoping to sell 120 heavy lorries.

S. Africa sales boost by GM

By Quentin Peel in Johannesburg

GENERAL MOTORS has announced an injection of R20m (£10.4m) in additional equity investment for its South African subsidiary in a bid to revive the company's sliding share of the South African car market.

Once one of South Africa's top two manufacturers, General Motors has slipped to sixth in the latest monthly car sales figures, with a mere 6 per cent of the market. The major purpose of the latest injection of working capital is to tool up for GM's new small car, to be launched in South Africa next February.

Lack of a small car to benefit from the latest fuel crisis has been a prime factor in GM's sales slump, down from around 9 per cent last year, and an exceptional month of almost 12 per cent of the market in April this year.

SHIPPING REPORT Demand for VLCCs eases

BY LYNTON McLAIN

DEMAND FOR very large crude carriers (VLCCs) in the Gulf eased last week, although there was still business for medium and large vessels.

Attention in the West Africa loading area was focused on Nigeria last week, after the Government's move to nationalise BP's interests there. BP had hoped to ship 12m tonnes of Nigerian crude this year, between 8 and 10 per cent of the company's total supplies.

The events may lead to a rise in loadings of cargoes for BP out of the Middle East and brokers felt this may eventually help the VLCC and ULCC market.

High rates were paid last week for up-to-date product carriers. Maraven paid \$14.50 for a 30,000 ton vessel for prompt delivery. Brokers forecast that the autumn and winter months will see "very heady rates" paid for timecharter of suitable vessels.

There were 38 oil tankers used as floating storage at the start of the month, a total of almost 6.8m deadweight tons. Oil companies owned seven of the vessels, with the balance owned by independent concerns.

On the grain market there was a fall in activity, as is usual in August. Rates fell but are expected to rise again in the middle of next month.

Canada nears U.S. gas accord

BY VICTOR MACKIE IN OTTAWA

PETRO-CANADA, is close to completing an agreement to export to the U.S. 250m cubic feet a day of Arctic natural gas and an equal amount of Western Canadian gas.

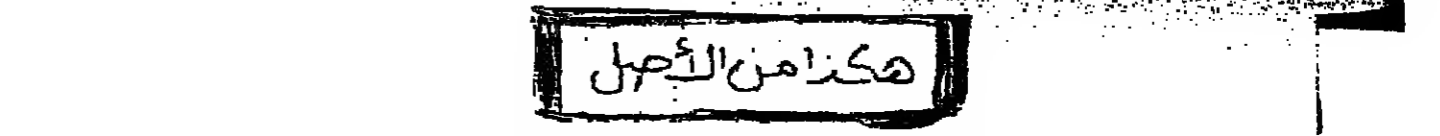
Mr. Donald Wolcott, a Petro-Canada vice-president, has told the National Energy Board that Petro-Canada, the country's national oil company, expects to sign a letter of agreement in September with two U.S. companies—Southern Natural Gas and a subsidiary the Southern Energy company.

The landmark project, the first in the Arctic gas supplies, would in effect add nine trillion (million million) cubic feet of Arctic gas to Canada's usable reserves. Mr. Wolcott said.

He declined to say what price is being negotiated for the gas. But at the export price of \$21.50 a thousand cubic feet which is expected to apply to conventional Western Canadian gas next spring, a proposed sale would be worth \$6839m a year.

The key to selling the Arctic gas is to match it with an equal volume of Western Canadian gas. Mr. Wolcott said.

The NEB was told that Petro-Canada's U.S. customers are concerned that the Arctic gas, which would be liquefied and shipped south in ice-breaking tankers, would be subject to interruptions in delivery. For the sale to be successful it is essential that there be a secure matching volume of the gas deliverable to the customers through overland pipelines.



Gulf seeks energy markets in West

BY JAMES BUCHAN IN JEDDAH

SHEIKH HISHAM NAZER, the Saudi Planning Minister, has confirmed that Gulf oil producers will seek access to the West's chemical markets by linking sales of their petrochemicals to other energy products.

The Saudi Government has already started work on the infrastructure for these heavy industries. This alone may cost \$35bn.

plan, which starts next summer and will make, in Sheikh Nazer's words, a move towards a productive era.

There is a shortage of skilled Saudis providing a critical obstacle to Saudi development and had led to the wholesale import of up to 2m foreign workers in the second plan.

Downstream production of petrochemicals, fertilisers, refined petroleum products and liquid petroleum gases—are the basis of the industrial policies of all the major Gulf producers and will be crucial in Saudi Arabia's own third five-year

plan, which starts next summer and will make, in Sheikh Nazer's words, a move towards a productive era.

The common marketing strategy marks a new development in Gulf co-ordination. At the end of May, a meeting in Doha approved a common policy for petrochemical sales and a June Sheikh Nazer and seven other Gulf Planning Ministers agreed to regard the Arabiaco Peninsula as a "single economic unit" and to co-ordinate development to prevent any further wasteful duplication of industries.

Sheikh Nazer said that though Saudi Arabia would not be able to reduce its dependence on crude exports for the bulk of its income even at the end of the fourth plan, this remained one of two principles of the third plan which had already been approved by the Cabinet.

World Economic Indicators

Table with columns for UNEMPLOYMENT and INFLATION for various countries (UK, U.S., Germany, Netherlands, France, Belgium, Japan, Italy) across different months (July 79, June 79, May 79, April 79, March 79, February 79, January 79).

China oil price

CHINA has set the price of its daqing type crude oil being exported to Japan during the July-September quarter at \$21.50 per barrel, or 25.5 per cent above the price agreed on in mid-April for the prior quarter, writes Richard C. Hanson in Tokyo.

# Is this the only way to talk to your workforce?

Sadly, some people still think the best way to communicate with their own workforce is to beat them over the head with facts. And nothing more.

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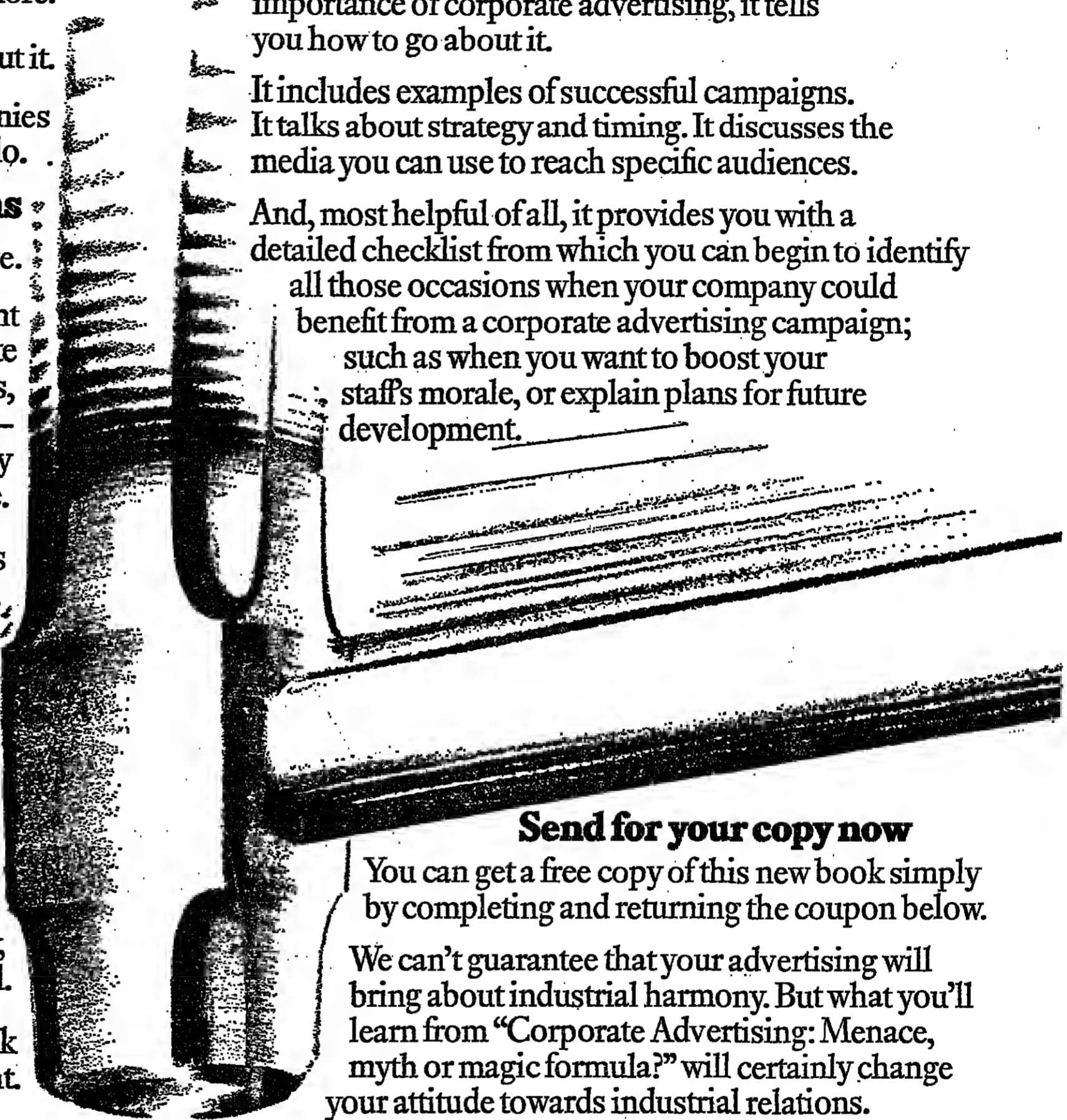
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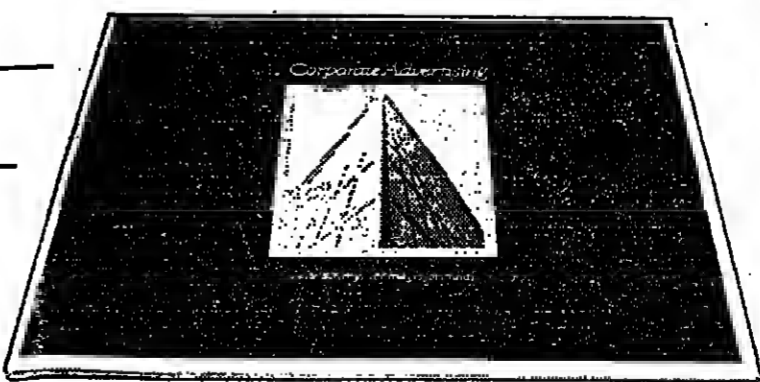
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# General printers accept pay deal

**BY OUR LABOUR STAFF**

MORE THAN 20,000 workers in general printing have accepted a new pay and reclassification agreement.

The printers, members of the National Graphical Association, voted five to one in a ballot to accept the offer from the British Printing Industries Federation. The deal is backed dated to June 25.

The agreement, which incorporates changes to printing machine classifications, includes an extra £8 to £9 a week on the special allowance for 7,000 workers in photocomposition. The allowance will be renegotiated annually.

About 15,000 machine managers will receive varying increases, depending on the nature of the equipment. At the higher end, the union said that the rises would be substantial.

Mr. Tony Dubbins, the union's assistant general secretary, said that the settlement ended 18 months of negotiation in which workers had backed some machinery.

The new settlement absorbs some interim payments for work on certain types of equipment.

# Close vote expected on telephone staff pay offer

BY NICK GARNETT, LABOUR STAFF

BRANCH VOTING by 6,000 Post Office telecommunications members of the Society of Civil and Public Servants on a pay and regrading offer has so far been very close.

A slight majority of meetings are thought to have been in favour of acceptance, but this has probably not been reflected in total votes. By the end of last week, voting was thought to be narrowly in favour of rejection.

The union's executive council meets today when all outstanding votes will be known, to discuss the position.

The council may decide not to make any formal decision on the offer until the outcome of the vote by 37,000 members of the Civil and Public Services Association on a similar deal. That may not be until the beginning of next week.

In the meantime, selective strike action, which has held up the issue of 17th computer-

processed telephone bills since April and delayed more than £800m in revenue, is being continued.

The offers to the two unions provide basic rate increases of 8 per cent, with 5.7 per cent for grade restructuring, 2 per cent for productivity and 2.4 per cent for changing the settlement date.

The Union of Post Office Workers appears to be making some headway in separate pay and productivity negotiations with the Post Office.

**Optimism**

The union agreed an interim pay deal worth about 10 per cent earlier this year. Last month, the Post Office also agreed to consolidate all outstanding pay supplements—worth a further 5 per cent on the overall wages bill—to the union's 200,000 members.

Mr. Norman Stagg, assistant

# Open-cast mining workers set to strike over pay and rights

BY NICK GARNETT, LABOUR STAFF

CIVIL ENGINEERING workers involved in open-cast coal mining are due to strike on Wednesday in a dispute over pay and negotiating rights with contracting companies.

Further industrial action, including the possibility of a damaging overtime ban is also threatened.

The 8,000 workforce, most of them members of the Transport and General Workers' Union, work for civil engineering companies and specialist open-cast contractors on sites operated by the National Coal Board.

Industrial action reflects dissatisfaction with a recent pay settlement and a general feeling among many of the workforce that they should have a separate negotiating agreement.

provide improvements acceptable to the open-cast workers.

Open-cast operations have proved financially lucrative to the contractors and the open cast workforce believes pay rises in the general building and civil engineering agreement did not reflect this.

Present earnings can be more than £300 a week including bonuses for open-cast machine operators.

Many open-cast workers are highly skilled, using expensive and complicated machinery and tend to stay in open-cast work rather than move back into general construction. This has helped to foster some form of separate identity.

**Lucrative**

At present, general pay rates are fixed by the national building and civil engineering settlement although there are further separate negotiations with the open-cast contractors on top of this.

This year's separate negotiations have so far failed to

Mr. George Henderson, the Transport Workers national construction secretary, said yesterday that the union was behind the workforce in seeking higher pay rates and improved conditions.

There would be no support from the union leadership, however, to any demands for separate negotiating rights, said Mr. Henderson.

# New wages councils to be set up

**BY OUR LABOUR STAFF**

TWO NEW wages councils are being set up to replace the nine existing wages councils.

The Retail Trades (Food and Allied Trades) Wages Council will determine minimum pay and conditions for 300,000 workers and the Retail Trades (Non-Food) Wages Council will cover about 650,000.

Orders establishing the councils have been made by Mr. James Prior, Employment Secretary, and take effect from the beginning of next month.

A merger was first recommended by the Commission on Industrial Relations in 1974. It was followed by a report by the Advisory Conciliation and Arbitration Service giving broad support to the proposals.

The nine existing wages councils were set up between 1947 and 1953.

# Customs officers' cuts protest causes only slight delays

BY OUR LABOUR STAFF

INDUSTRIAL ACTION by customs officers throughout Britain appeared to have led to few delays at most air and seaports over the weekend.

Heathrow said there was some queuing yesterday but this was to be expected on one of the year's busiest holiday weekends and had not been caused by the work to rule in protest at staff cuts.

There were some delays for up to 90 minutes because of severe congestion over Europe and the Middle East.

Aircraft flying into Heathrow to take out flights again were being caught up in the congestion and this was the main reason for outbound delays.

Customs officers working to standard at the airport uncovered a massive haul of contraband in a bunch of bananas yesterday.

After 500 angry travellers stormed through Customs at the East Midlands airport, near

Derby, a truce was declared yesterday and arrivals waited patiently for up to an hour.

British Midland Airways said: "The passengers seem to have made their point and today they queued for between 45 minutes and one hour waiting to go through Customs."

"Arrivals from Spain, Jersey and Palma found things a bit slow but there was no repetition of their protest demonstration."

On Saturday, about 500 people, returning from Mediterranean resorts and tired with crying children, stormed through Customs barriers leaving Customs officers powerless.

One of the passengers from Majorca, said: "The customs men were handling everything and examining everything."

"People just took the matter into their own hands, got their trolleys and charged through the Customs. It was a wonderful sight. People were very angry."

# Shotton workers demand inquiry into steel industry

WORKERS AT the Shotton steel plant, North Wales, where iron and steel making is being shut down, called yesterday for an independent inquiry into the running of the steel industry.

The works' action committee says that it has proof that the British Steel Corporation produced deliberately misleading figures in 1974 when it first put to the Government evidence to support plans to close steel-making at Shotton.

The committee is asking the Government to order an immediate, independent inquiry into the full financial and technical implications of the corporation's plans for the industry.

**Closure**

"We want to be quite certain that the major decisions now being made by the corporation with the authority of the Government—such as that

which affects Shotton—are based on 100 per cent accurate costings, said Mr. Monty Hughes, committee chairman. "Furthermore we want the Government to fully appreciate the dire consequences of those decisions on the industry and particularly on steelmaking areas."

More than 6,000 jobs will be lost with the closure of steel-making at Shotton.

Mr. Hughes said: "Shotton simply cannot accept that it is the best interests of the corporation or the nation to close the major part of a works which not so very long ago was consistently in profit, has a loyal workforce with one of the best industrial relations records in British industry, has never failed to meet its production targets, and enjoys the esteem and goodwill of thousands of customers both home and abroad."

## COMPANY NOTICES

**MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA (CANADA)**  
 C\$25,000,000 9 1/2% Notes Due 1982

Pursuant to the terms and conditions of the Notes, notice is hereby given to Noteholders that during the six month period ending June 30th, 1979, C\$1,000,000 of such Notes were purchased.

Outstanding amount: C\$22,400,000

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Luxembourg, July 25th, 1979.

**ROBECO**

ROBECO N.V. announces that it has been acquired by the United Kingdom's National Westminster Bank Limited, 25th Floor, Orange Gardens, 12, Theobalds Road, London, E.C.2

The new share warrants, which will not bear the same numbers as those issued prior to the takeover, will be available in denominations of 1, 2, 20, 200, 2,000 and 20,000.

To expedite the delivery of the new certificates it will be mutually beneficial if shareholders claim their complete entitlement in one or more applications.

Certificates for Sub-shares of 1/5 are not affected by this exchange.

DATE: 6 August, 1979.

**REED INTERNATIONAL LIMITED**  
 (Reed Paper Group Limited)  
 5 1/2% 1962/1982 12,000,000 LBAN

Shareholders are informed that the new share warrants will be issued on October 15, 1979, in accordance with the terms and conditions of the above issue, the amount unissued being £1,000,000. The year's subscription of £1,000,000 will be taken by lot and redeemed at par.

Outstanding amount: C\$22,400,000

KREDIETBANK S.A.  
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Luxembourg, July 25th, 1979.

**BEARER DEPOSITARY RECEIPTS FOR THE COMMON STOCK OF ASAHI CHEMICAL INDUSTRY COMPANY, LIMITED**

A distribution of 10,457 per cent shares, which will be available in denominations of 1, 2, 20, 200, 2,000 and 20,000.

To expedite the delivery of the new certificates it will be mutually beneficial if shareholders claim their complete entitlement in one or more applications.

Certificates for Sub-shares of 1/5 are not affected by this exchange.

DATE: 6 August, 1979.

**THE "SHELL" TRANSPORT AND TRADING COMPANY, LIMITED**  
 1979 CAPITALISATION ISSUE

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER

The "Shell" Transport and Trading Company, Limited announces that further to the notice of the 15th July, 1979, the period for the deposit of share warrants to Bearer has been extended to 31st August, 1979.

Coupons must be lodged through a Bank or other Agent who is an authorised depository within the meaning of the Exchange Control Act, 1947 or by an Approved Agent, in the Republic of Ireland.

Share certificates will be issued in definitive form.

If Coupon No. 159 is not so deposited, it will be treated as cancelled.

By Order of the Board,  
 G. J. CHELL, Secretary.

Shell Centre,  
 London, E.C.2.  
 6th August, 1979.

**DIAMONDS FOR INVESTMENT**

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100/115	16228
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100/115	12102
100/115	10482
100/115	9578
100/115	8728
100/115	7878
100/115	7028
100/115	6178
100/115	5328
100/115	4478
100/115	3628
100/115	2778
100/115	1928
100/115	1078
100/115	222

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ASK AT B.R. STATIONS ABOUT MONEY SAVING OFFERS, INCLUDING THE NEW FAMILY RAILCARD.



Robert Oakeshott examines how a series of 'multi-project' community ventures initiated by the Highlands and Islands Development Board may mark the beginning of the end of the old croft image in the Western Isles

Thinking big in a Hebridean backwater

THE EEC is considering making a £10m grant to the Western Isles of Scotland. If the representations of Mrs. Winifred Ewing, the newly-elected Eyrmp MP for the area, are successful, there is a strong case for channeling a large part of the funds into community projects currently being initiated by the Highlands and Islands Development Board.

£5,000 and may well come closer to £10,000. However, no one is flinching at an investment which may well cost over £100,000 and perhaps twice that. The Scalpa community has already raised £7,000 in three months, and is confident that it will achieve its final target of £20,000 well before any "actual" investment could be scheduled to start.

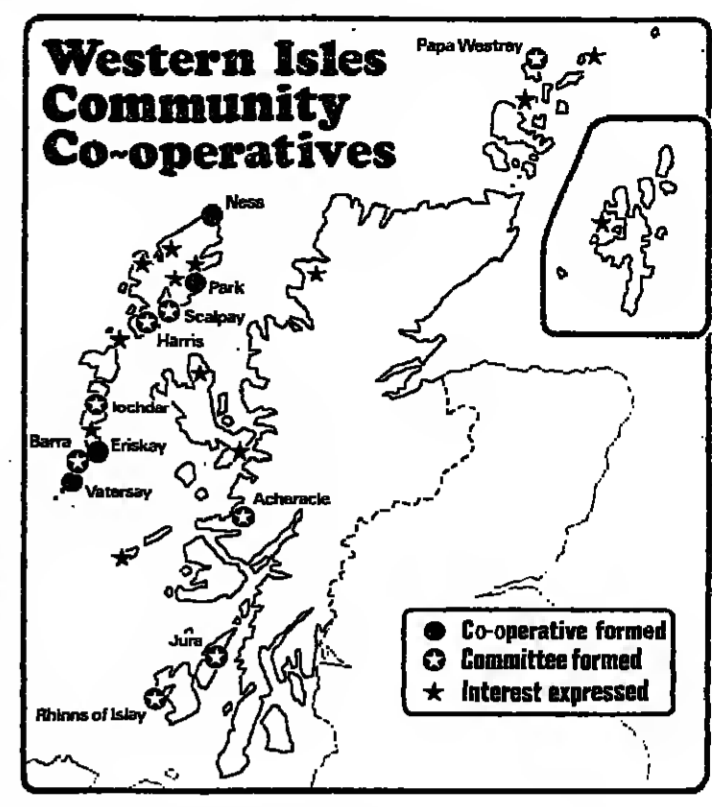
Co-op shares Some of this money has and will come from friends and relatives of the islanders and through local activities. But the largest part will be generated by Scalpa's population in the form of subscriptions to community co-op's shares. The average share subscription per island household will certainly have to be well over £50. That is significantly higher than what the HIDE expected when the whole scheme was launched, and also higher than the average for other embryo community co-ops which are being formed.

Westray on the northern edge of the Orkneys, where the 35 resident households have so far subscribed £4,000 between them. There are at least two good reasons for believing that the Scalpa plans for a fish processing plant will be converted into reality. The first is the calibre and business experience of the leading figures on the prospective community co-op's steering committee. In contrast to what has happened in some other parts of the Hebrides, the Scalpa fishing fleet has been modernised and even increased over the past 15 years. It now provides work for up to 50 of the island's able bodied men.

Typically, gross income is divided into the proportions 40, 30 and 30 per cent; the 40 per cent takes care of all outgoings; 30 per cent goes to ownership to cover depreciation, financial charges and a profit share; and the final 30 per cent is then divided equally. This combination of business experience and individual leadership qualities on the one hand, and community solidarity on the other makes Scalpa a specially promising setting for these new ventures. The extra investments offered by the HIDE to help them along are essentially two: a matching grant towards the co-op's capital equal to whatever sum the community itself raises; and a grant to cover the costs of the co-op's manager, up to £7,000 a year for the co-op's first three years and up to £3,500 for the following two.

It is also a condition that the co-op undertakes not to pay out any money on its shares over the first five years. On the other hand, having satisfied the conditions for the Board's special grants to co-ops, Scalpa projects, like any others, are eligible to benefit from the normal range of assistance which it offers to new and existing enterprises: grants, low interest loans, and so on. But it would be wrong to imply that Scalpa is the only potential success story likely to result from the HIDE's initiative. By the end of last year four community co-ops were in existence: two in Lewis, at Ness and Park, and two on the small southern Hebrides islands of Eriskay and Vatersay. All these have now appointed managers and all have at least one project in operation. Others are not far behind.

And the span between the formation of a local committee in the formal establishment of a community co-op should now speed up: after almost two years of hassle and argument the Board has recently succeeded in getting the agreement of the Registrar of Friendly Societies to a set of model rules for these enterprises. With any luck there will now only be a few cases for which special constitutions need to be devised and approved by the Registrar. So when, for example, the Harris co-op committee talks of the prospect of registration soon and of appointing a manager in the autumn, that timetable may not be unrealistic.



Western Isles Community Co-operatives. It is tempting to contrast this new approach by the Board to the problems of the Western Isles and of other remote and isolated communities in its area with that of Lord Leverhulme in the Hebrides, and particularly in Harris, half a century ago. Something approach-

Ground rules for participation

COMPANIES trying with the expectation of increasing employee participation may care to heed the closing words of the British Institute of Management's latest survey report, published today: "Participation must be fully embraced or not embraced at all. There are benefits to be gained from this changed approach to management, but these will take time to manifest themselves, and in the interim patience will be required. However, the long term rewards to be derived from this policy could be enormous. This is one of the major themes to come from this considerable study of participation and democracy in industry. Its other words of caution should be heeded: if the benefits to be derived from participation are to be realised, there must be a corresponding increase in the expectations, only to let them down when it comes to taking a difficult decision and the consultative structures are ignored. It is essential for the basis of co-operation and communication to be established before setting up any formal committee system. Equally, a managing director cannot tell his senior staff to encourage participation if he continues to take automatic decisions himself. In other words if the implications for the whole system of decision making are not thought through, the consequences may be that rather than morale and performance being improved, they reverse may occur."

growth of trade unions; government legislation; changing social and economic environment; influence of European experiments and EEC proposals; and the changing attitudes of management. The reason that companies introduce participation is usually either on philosophical or pragmatic grounds, notes the report. The former is the belief that employees have a right to be involved in decision making, because they have as big a stake in the enterprise as the shareholders. And behind the pragmatic approach lies the hope that it might lessen the conflict between employer and employee, benefit industrial relations, increase employees' commitment to the aim of the enterprise and lead to greater efficiency and productivity. "Whatever the reasons," warns the report, "it should be remembered that there are unlikely to be immediate benefits. Employers should not be surprised if at times employees still see their interests as being in conflict with those of the company. In many cases this may be justifiable, for instance where redundancy is a possibility. Participation should not be used as a carrot to be replaced by the stick when the company wishes to coerce its employees. In the context of participation this is a recipe for disaster."

Participation, Democracy and Control, by Peter Reilly, is available from the British Institute of Management, Management House, Parker Street, London, WC2, price £21 (£14 to BIM members).

Jason Crisp

Benefits — going beyond the fringe

they supplied company cars, simply to underline status, and 70 per cent of the organisations said it was less than £9,300. 23 per cent were below even £7,500. The average minimum level at which cars were provided as status was £8,740. Two-thirds of the organisations polled allow some employees first class travel and very nearly a half are prepared to pay for spouses to accompany employees on business trips, including to conventions and conferences. Virtually all the organisations—only 3 per cent did not—provided either canteen, dining facilities or luncheon vouchers (normally a slitting 15p a day). Four out of every five provided sports and/or social facilities for the employees and nearly two-thirds made arrangements for employees to buy company goods or services at a reduced rate. Only 13 per cent of organisations surveyed said that they may grant sabbatical leave to some employees but the management consultants note: "Many organisations grant additional paid, part-paid or unpaid leave for particular reasons, including military reserve training, marriage, death of a near-relative and sometimes maternity leave in addition to the statutory requirement."

Almost seven out of ten organisations pay some or all the costs of medical insurance for "at least some employees." And eight out of ten provided periodic medical examinations for their employees, although this is usually for senior management. Where companies are transferring employees from one location to another 99 per cent of companies provide assistance and 92 per cent pay a disturbance allowance usually of one month's salary or 10 per cent of gross annual pay. Hay-MSL found many organisations had been making changes in their pension schemes over and above those necessary to meet the contracting out requirements of the State scheme. "The survey shows a trend towards improvements in death in service benefits in the private sector, one area in which private sector pension schemes may be seeking to offset the attraction of the guaranteed inflation proof pension provided by the public sector."

Hay-MSL recommends that organisations should examine the costs of providing benefits and to see if they are cost-effective or "is money being spent in providing benefits that are not appreciated or wanted?" It also counsels companies to find out whether employees are aware of the benefits being provided. 1979 Employee Benefits survey is available from Hay-MSL, 52, Grosvenor Gardens, London SW1 0AU, 01-730 8371. Price £260.

JASON CRISP

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# FINANCIAL TIMES SURVEY

Monday August 6 1979

هكمان النحل

# Wales

## Political shock follows polls

By Robin Reeves  
Welsh Correspondent

AT FIRST sight, Wales seems much the same as ever. Militant noises from the miners have secured a reprieve for a colliery, Deep Duffryn, threatened with closure. The difficulties of the steel industry are threatening a major loss of jobs at Shotton in North Wales, but the Welsh Office and Welsh Development Agency are making confident noises about the number of new jobs in the pipeline, to help soak up Wales's still above-average 7.2 per cent unemployment.

There is also the usual row over Welsh language education, whether the National Education Authority should opt for a permanent site instead of moving to a different part of Wales each year, and whether Welsh language programmes should have the run of the new fourth television channel or continue to be spread over more than one channel.

What is no longer there is the framework which has surrounded many Welsh political and social developments for at least the past ten years. The prospect of an elected Assembly in Cardiff, following the referendum in Wales, a measure of democratic self-government

The issue was always controversial but, particularly from 1974 onwards with the return of a Labour Government, it seemed inevitable that the Assembly would come about as the logical political conclusion of treating Wales increasingly as a national unit within the United Kingdom.

Beginning with the setting up of the Welsh Office in 1964 and spiced by the Welsh Nationalists' parliamentary breakthrough in 1966, it provided a sense of direction, even a dynamic one, in the political process and thinking of a wide variety of bodies and institutions within Wales—just as the prospect of EEC entry affected perspectives in the UK generally in the early 1970s.

The reasons why the Assembly was rejected so overwhelmingly will be mullied over for some time to come. The deeply conservative mood confirmed by the general election, a backlash against Wales's unhappy experience of local government reorganisation, the Assembly's very limited powers to do anything, and fears about Welsh language domination and separatism clearly all played their part.

Nevertheless, it left a sense of shock. Overnight, devolution became the great unmentioned subject, even by nationalists. In the general election which followed so soon afterwards, most Plaid Cymru candidates extolled the merits of a constituency MP independent of the main party machines, not Welsh self-government.

The General Election result turned out to be no less stunning for the Welsh political establishment. Clearly emboldened by its success in opposing the Assembly, the Conservative Party chalked up its biggest General Election victory in Wales this century. Not only did it push up its share of the Welsh vote from

The referendum decision rejecting an Assembly for Wales and the Conservative Party's big advance at the general election have jolted Wales into a new mood. It can rely no longer on industry being steered there by the government and increasingly must put its own house in order in the context of the British economy.



Part of the changing face of Wales: Cardiff with the defunct East Moors steel works in the background.

23 to 33 per cent, but Conservative candidates ousted Emyr Hooson, the Welsh Liberal leader, snatched Cledwyn Hughes's inheritance of Anglesey from his designated Labour successor, Elystan Morgan, chairman of the Wales for the Assembly Campaign, and helped unseat Gwynfor Evans, the veteran Plaid Cymru leader in Carmarthen.

The recapture of Carmarthen was Labour's only consolation in rural Wales. Elsewhere its vote fell sharply, confirming a Welsh rural trend away from Labour which began in 1966 when the party held 93 of the 96 Welsh seats. Only in the populous industrial constituencies of south and north-east Wales, Labour's traditional strongholds, did the party's vote hold

up well. Plaid Cymru were the principal losers in industrial South Wales. The party was both pushed into third place behind the Conservatives in most Westminster seats and lost control of its two South Wales district councils. But in the Welsh-speaking heartland of Gwynedd the Devolution referendum result was brushed aside.

Caernarvon and Merioneth, which swung from Labour in February 1974, returned their two Plaid MPs with substantially increased majorities. As for the Liberals, Cardigan is all that remains of Lloyd George's inheritance, at least as far as Welsh representation in Westminster goes. Where Wales goes from here is, in one sense, perfectly clear.

A Conservative team, headed by Mr. Nicholas Edwards, the new Secretary of State for Wales, is installed in the Welsh Office with a stronger popular mandate to carry out Conservative policies in Wales than his 1970-74 predecessor.

He has made clear there is no question of dismantling the devolved structure and administrative functions which have accrued to the Welsh level over the past 15 years. The Welsh Development Agency is being kept largely intact. So is the Development Board for Rural Wales, and many of the nominated bodies which abound in Wales.

## Scrutiny

Devolution Conservative-style is already going ahead in the shape of a House of Commons select committee on Welsh affairs to carry out the democratic scrutiny function envisaged for the assembly, and more frequent meetings of the Welsh Grand Committee. However, the latter arrangement has not got off to a very promising start. The Government's insistence on discussing a Price Commission report on the Welsh Water Authority instead of allowing an emergency debate on the drastic cuts in regional aid announced two days previously, provoked a mass walkout by opposition MPs.

Recognition that these changes are not enough to fill the vacuum left by the referendum results has also led the CBI in Wales to propose a revamped Welsh Council. Consisting of representatives nominated by Welsh industry, trade unions, local authorities and other interest groups and an independent secretariat, it would advise the Secretary of State.

It may be that these changes

will prove adequate and perfectly acceptable for the foreseeable future. Certainly, in present circumstances it is very difficult for any politician to stand up and demand anything radically different.

But the question remains what will be the Welsh political reaction if the Conservative bid to revive the market economy fails. As another economic recession gathers, the outlook in Wales seems even more ominous than in the UK as a whole.

The fact is that the previous Government's more interventionist tack and relative higher public expenditure on improving infrastructure did seem to bring tangible benefits, most spectacularly in the decision of Ford to site its new European engine plant in South Wales.

The Welsh Development Agency and the Development Board for Rural Wales were established in the teeth of Conservative opposition. Having injected new energy and resources into lacking Wales's economic problems, both have been accepted by the Government as valuable instruments of economic intervention. The previous Government's Beswick delays in steel plant closures and the strong support shown towards coal over other forms of energy also helped to shelter Wales from the worst impact of the 1974-76 recession.

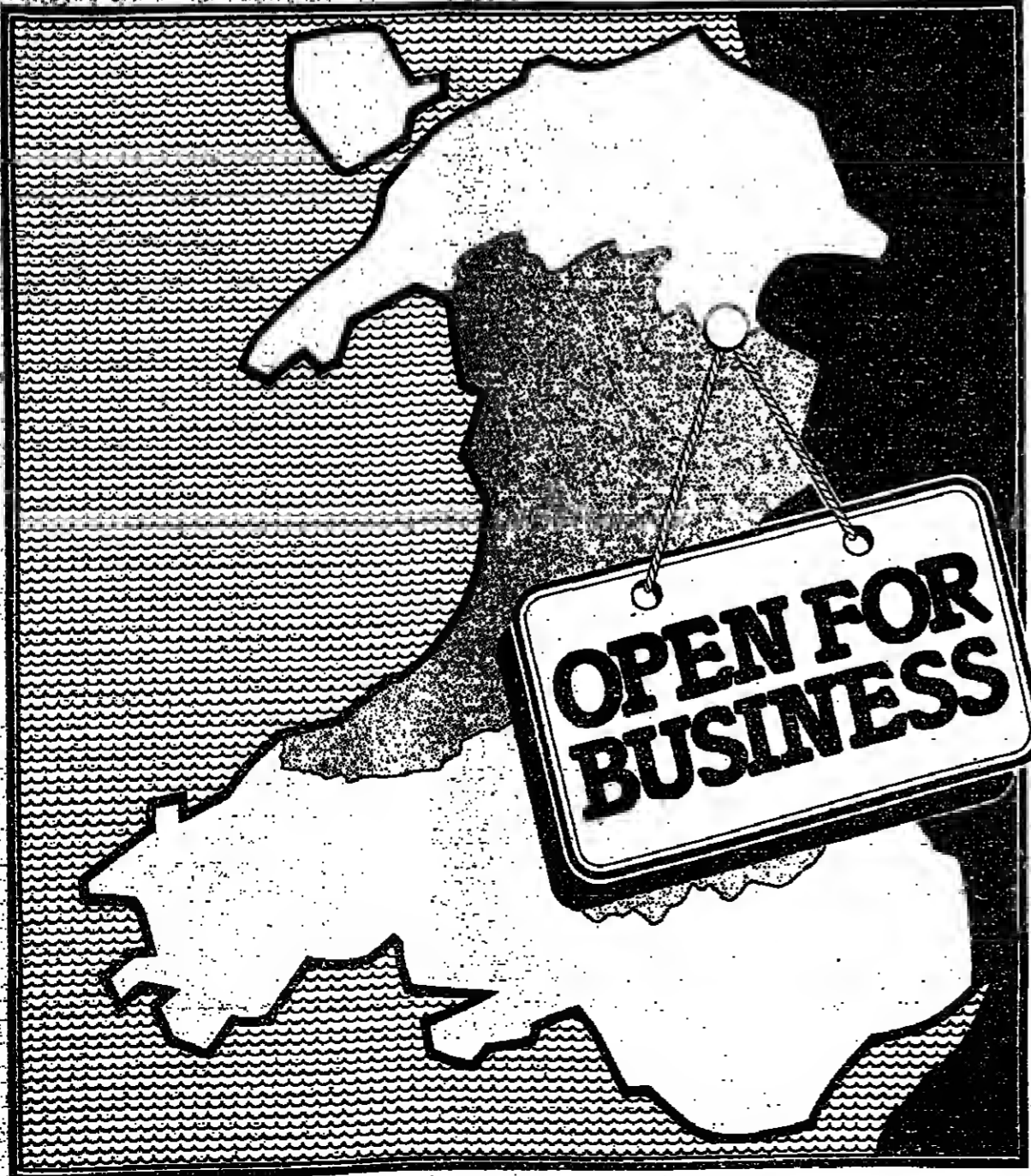
When the East Moors and Ebbw Vale steel closures did come about they were followed by a lot of bustle and sizeable Government grants to help rebuild the local economies.

The new political environment is already looking far harsher. The Wales TUC has predicted as a result of the first Conservative Budget that unemployment in Wales will rise from its present level of about 80,000 to 120,000 by the end of the year. The Wales CBI,

CONTINUED ON NEXT PAGE

# Some business opportunities are more open than others.

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The Welsh Development Agency has an investment capability. It handles all investment enquiries of over £50,000. Its Small Business Unit is specially qualified to deal with the full range of professional services likely to be needed by the smaller business including offering loans up to £50,000 in suitable cases.

It is currently building many advance and custom-built factories in North and South Wales.

The Development Board for Rural Wales is responsible for the social and economic development of Mid Wales. It has wide powers and provides factories, houses and other specialised premises.

Its Business Advisory Service offers advice and assistance and the Board works closely with the Welsh Development Agency in making available loans up to £50,000 in Mid Wales.

The Development Corporation for Wales is responsible for promoting Wales as a location for investment. It enjoys the support of and works closely with the Agency and other bodies in Wales. It is well placed to give advice on relocation and to arrange introductions.

Any of these organisations will be pleased to give you further details.

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Welsh Development Agency

Treforest Industrial Estate, Pontypridd, Mid Glamorgan, CF37 5UT. Tel: Treforest (044 385) 2666. Telex: 497316.

Development Board for Rural Wales

Ladywell House, Newtown, Powys, SY16 1JB. Tel: Newtown (0686) 26965. Telex: 35387.

Development Corporation for Wales

15 Park Place, Cardiff, CF1 3DQ. Tel: Cardiff (0222) 21208. Telex: 497190.

# Aid cuts a blow to economy

IN THE past month Wales has had a nasty buffering. First, the British Steel Corporation pulled out the plug on steel-making at Shotton, and then the Government unveiled its plan to cut back regional aid from 1982 as a result of which 40 per cent of the land area will no longer receive any form of assistance.

Finally, the Government reversed its plans to direct Civil Service jobs out of London and 4,000 Ministry of Defence jobs which were heading for Cardiff will now stay in London.

These blows came at a difficult time in any case. Cardiff still has to come fully to terms with the closure of the East Moors steelworks in the city early last year and, with rising unemployment in the country as a whole, the economy is precariously based.

The most important of these changes is the new direction on regional aid. Most of Mid-Wales eventually will be taken out of the scope of assistance and some of the special development areas such as Caernarfon, Newport, Pontypridd and

Merthyr Tydfil will be downgraded. Other development areas, such as Swansea, Llanelli, Port Talbot and Bridgend, will become intermediate areas.

However, the picture is not quite as bleak as it seems at first sight. Although vast land areas are affected only 6 per cent of the population has been removed so that nearly all the working population of the country will continue to be employed in areas receiving some form of assistance.

### Migration

Such a radical redrawing of the aid map will hit Wales badly. After a long period in which there was a net migration from the country the trend has been reversed over the past 15 years, a trend assisted by the whole paucity of regional policy.

Between 1951 and 1961 there was a net outward migration of 35,000 people, dropping to 10,000 in the next decade. Between 1971 and 1979 the inward movement has been

40,000, with the watershed date: 1966. Wales will no longer have as wide a range of sites in areas of assistance to offer, making it that much more difficult to compete with such countries as Ireland. Inevitably, there must be some slowing of projects, especially in those places such as Port Talbot, Swansea and Bridgend, which will come down to intermediate area status.

This slowing process depends though on the willingness of companies to consider other, more highly assisted, parts of the country. Not all may be lost: some companies may still be willing to consider the special development areas, especially now that they are relatively more attractive places.

Further, even though the Government will be more stringent in its vetting of applications for selective financial assistance, it is possible that this sort of aid might increase in future, partially offsetting the drop in regional development grants.

Certainly selective financial assistance has been on a strongly rising trend recently. In 1976-77 there were 98 offers of help under Section 7 of the 1972 Industry Act, a figure which went up to 153 in 1977-78 and 193 in the financial year ending last April. The total is averaging about 20 a month at the moment and the outcome for 1979-80 is sure to be somewhere over 200.

The number of inquiries reaching the Welsh Office for information regarding sites has been rising strongly. In the first half of 1977 the figure was 250, going to 340 in the same period of the following year and 400 in 1979.

Visits to Wales—a logical consequence of inquiries—have also gone up strongly. From 170 in 1977 the total went successively to 260 and 440, a better record than anywhere else in the UK.

That such inquiries and visits do turn into firm commitments can be seen from the Welsh Development Agency's advance factory building programme. Between January and June last year 40 were allocated, the figure rising to 60 in the second half of the year. In the first half of this year 62 were allocated and with a further 95 provisionally allocated the total for 1979 will certainly top 1978's 100.

These successes must not obscure the problems that still

remain elsewhere. Steel is the most obvious. Not only does the axe hang over Shotton but de-maning at both the major steel-making works of Port Talbot and Llanwern, as well as at the tinplate works in Ebbw Vale, Trostre and Velindre will all deflate Wales's economy.

Coal—after steel—is the other major industry facing problems. The workforce is now a little over 30,000 and the Coal Board is still looking for pit closures to reduce its financial losses in the division. The one hopeful sign, as the second thoughts over Deep Duffryn have shown, is that the Government probably does not want to take on the miners while there are doubts over the supply of oil.

The problem in Wales—and, of course, it is not unique in this respect—is that it is still not attracting sufficient new industry to offset the closures. Great efforts have been made to bring industry in, and the new companies have made an important contribution. But more is still needed.

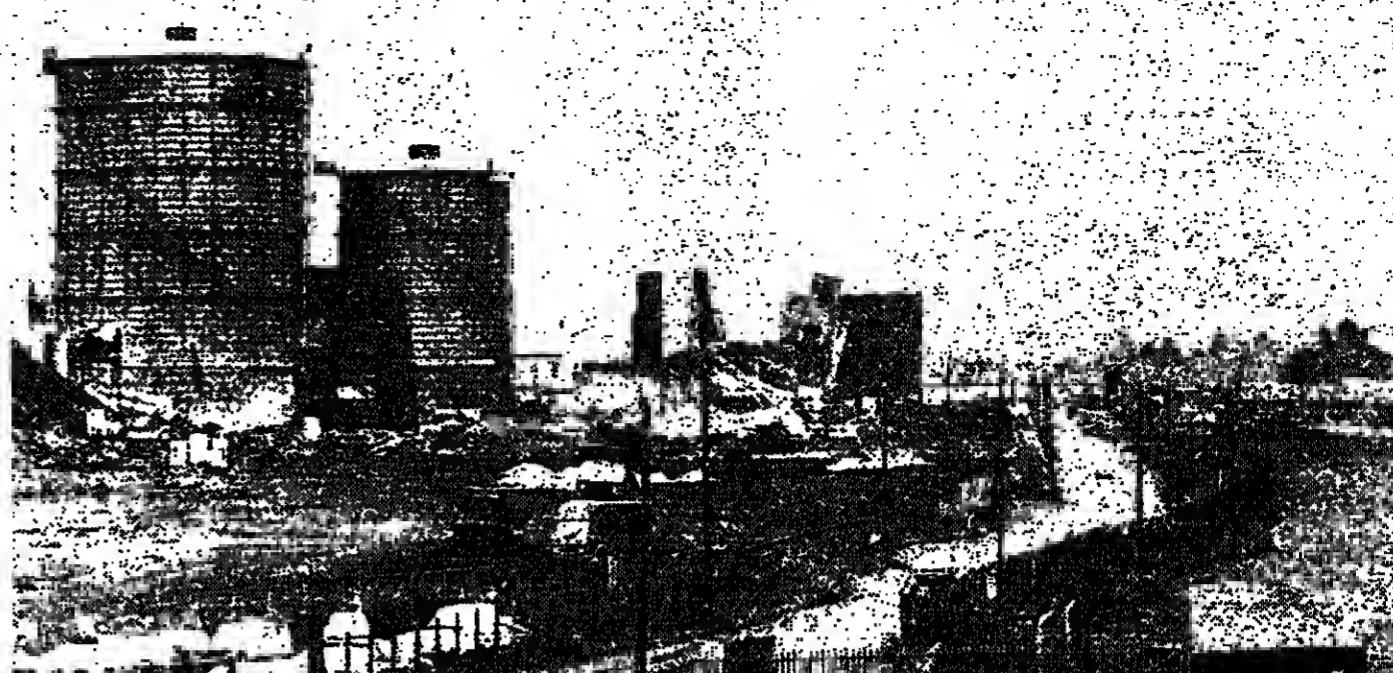
### Recruiting

In the 12 years to the end of 1978 about 300 new manufacturing units came into Wales, which provided work for 35,000 people. At the end of last month Kaiser Aluminium announced plans to begin fertilizer production at a new plant in Wrexham and Ford is about to start recruiting 2,500 for its giant engine plant at Bridgend which will be in production, on schedule, next May.

North Wales has done rather well in attracting new business since Hotpoint is to turn out domestic appliances at Rhyl, employing 800, joining existing names such as BICC, C-Pan, J. C. Bamford and ERF. In Ebbw Vale, South Wales, an employment black spot with the run down of steel, both Control Data and Alfred Teves have announced expansion plans.

The Welsh economy is in a transitional phase and will remain so over the next 12 months. The best that can be hoped for is that what has gone into the pipeline over the past two years will emerge and compensate for the inevitable losses in coal and steel. The economy would have been stronger, and better able to meet these difficulties, if regional aid had not been cut.

Anthony Moreton



Demolition under way at the former BSC plant at East Moors, where steelmaking ended last year.

## Shock

CONTINUED FROM PREVIOUS PAGE

as well as the trade unions, has roundly condemned the cutback in regional aid as a serious blow to the task of creating more Welsh jobs.

Implementation of the Government's reduction in local authority financial support is already threatening employment in some areas and has triggered some sizeable demonstrations. Yet, by all accounts, this cutback is only a start. Since a higher proportion of jobs in Wales is linked to the level of public expenditure, compared with many other parts of the country, the impact is likely to be felt more deeply.

In political terms, this will serve to underline, at least in the short term, the argument of Labour's anti-devolutionists during the referendum campaign that Wales is too dependent on English largesse in the form of public expenditure to risk calling this into question by creating a devolved Assembly.

But equally, there could come a point at which an underlying argument of the pro-devolution campaign begins in

ring more true. This is that the days when Wales could rely on inflow of expanding industry steered by Government from more prosperous parts of the UK are drawing to a close, and that Wales must therefore take increased responsibility for putting its own house in order if it wishes to retain its identity as a distinctive community.

But these are early days and speculation is exceptionally hazardous. For the time being, the Welsh Nationalist dragon has been driven back into the mountain fastness of Snowdonia and the Labour party in Wales is not going to be in a hurry to give its platform a distinctive Welsh dimension which the local leadership championed so doggedly for more than 12 years.

The referendum result was a massive reassertion of the British dimension in Welsh life which the political forces and institutions of Wales are now having to learn to live with. Even so, few people, even its active opponents, believe the devolution issue has gone away for good.

# Replacing the lost jobs in steel

WALES MORE than any other part of the UK is feeling the effects of the steel industry's difficulties. Last year saw the closure of BSC's East Moors, Cardiff, steelworks and the end of steelmaking at Ebbw Vale, South Wales, resulting in the overnight loss of more than 5,000 jobs.

Within the past month, BSC has announced its intention to end steelmaking at the Shotton works in North Wales with the loss of a further 6,300 jobs.

The worsening market for steel and the Conservative Government's insistence on BSC sticking to its break-even target of next March has rendered obsolete a 1977 assurance that Shotton steelmaking capacity would be safeguarded at least until 1982.

In between these headline-grabbing events, there has been a series of smaller negotiated staff redundancies aimed at reducing manning levels to an internationally competitive standard. The net result is that whereas in 1970-71 the Welsh steel industry employed nearly 75,000 people, now the number is down to just over 48,000 and still falling.

Closure at Shotton and a cutback of 1,000 jobs at Port Talbot, now under negotiation, will reduce the figure close to 40,000. This is a dramatic fall by any standard, but even more so for Wales, where, in the recent past, nearly one in ten jobs was connected with the steel industry. It is exceeded only by the rundown of employment in the Welsh coal industry—from 150,000 in the early 1950s to less than 30,000 today.

In the circumstances, the painful process of steel rationalisation has gone surprisingly smoothly, so far at least, though Shotton could prove to be a different proposition. Moreover, Wales is banking up a wealth of experience in tackling the problem of rapid technological change upon whole communities which is likely to have far wider application in the years ahead.

Looking back at the negotiated closures of East Moors and Ebbw Vale steelmaking, three factors immediately stand out. One was the long period of mental preparation—the cynical would describe it as a “softening up” period—which helped to soften the blow psychologically. The closures were mooted as early as 1972 and also postponed by Lord Beswick's review of BSC's rationalisation plans.

Another factor was the attractive redundancy package, on one iron BSC, to sugar the pill of massive job losses. The well-publicised severance cheques of up to £17,000 per man, dependent on length of service, was undoubtedly a powerful influence on the workforce to abandon their long resistance to closure, and a factor which may prove decisive again in the case of Shotton, which has many long-service employees.

The third factor was the value of having specialist agencies such as the Welsh Development Agency, BSC (Industry), the Manpower Services Commission and even the Welsh Land Authority to rally round the local authorities and start rebuilding the local economy quickly.

Closure, after all, is only the beginning of the problem. Circumstances obviously differ from place to place, but Cardiff's particular experience illustrates developments in the aftermath of a steel plant shutdown.

On the credit side, it is reckoned that of the 3,100 made redundant by the East Moors closure, only about 500-600 are still out of work. The rest have either found alternative jobs in the locally, drifted away, or are simply in early retirement. About 600 men fall into the last category.

Many of the East Moors craftsmen were snapped up by the GKN steel plant immediately next door. It is the case that craftsmen willing to work shifts in a hot metal environment tend always to be in short supply. A further 400 or so have been employed on dismantling the works, which for the Bird Group of Stratford-upon-Avon has provided the largest demolition contract in Europe. It includes the salvage of an estimated 350,000 tonnes of scrap steel for feeding into BSC's Llanwern steelworks, 12 miles away.

A significant number of East Moors men have also been taken on by Myson Radiators whose takeover of the former Penrad Radiator company in Cardiff coincided with closure of the steelworks.

But the biggest help, so far, towards soaking up unemployment has been the start of construction work on a long-delayed £50m Cardiff City Centre redevelopment scheme. It has created about 1,000 new jobs in the central area and brought male unemployment down from a level comparable with Glasgow and Belfast of 10.3 per cent a few months ago to 9.4 per cent.

Before the East Moors closure male unemployment was running at 7.7 per cent. Even so, the fact remains that Cardiff still has to make up for the loss of about 3,000 permanent industrial jobs—and more, since the number of school-leavers is expected to increase over the next decade. The local authority, South Glamorgan County Council, is looking to create an extra 13,000 new manufacturing jobs between now and 1981.

Since the closure, the Welsh Development Agency has got stuck into the first phase of a crash programme of advances factory building with the aid of a special £13m grant provided by the last Government to cope with Cardiff's special difficulties. Twenty advance factories are now under construction, mostly alongside East Moors, and a tenant for one of the four larger units of 25,000 sq ft has been found already.

Dunsters is to start manufacturing in August of television cabinets (for Sony at nearby Bridgend). This company and Serpoint, which is making micro-processor-based electronic



Work on Cardiff's long-delayed £50m city centre redevelopment scheme is helping to soak up unemployment stemming from steel redundancies.

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load cell weighing equipment, are both temporarily housed in a BSC building prior to moving into advance factory units when they are completed in January.

Factory construction on the East Moors site itself should start in a few months' time, though there has been a hitch in sorting out the problem of land ownership. The previous Government proposed purchasing the site compulsorily from the present owners, the BP pension fund, through the Land Authority for Wales. But the scheme is now on ice as the Government ponders the fate of the authority.

**Access**

If everything goes according to plan, redevelopment of the 130-acre East Moors site will be completed by 1981, with ample industrial premises and improved roads access, to give Cardiff a better opportunity than most to attract new manufacturing industry.

The city's development area status has been left untouched by the government's regional policy changes. Since there is now less choice open to relocating industry wishing to take advantage of regional aid, the changes should enhance Cardiff's attractions.

Ebbw Vale, 20 miles away at the head of the industrial valleys, should also be in a stronger position. The rundown of steel-making there has led to the development of a massive new industrial estate, Rassau, carved out of the mountainside. Ebbw Vale has retained its special development area status, giving 22 per cent grants on building, plant and machinery, and this has become a more valuable incentive with the drop from 30 per cent to 15 per cent in ordinary development area grants.

If the Shotton closure goes ahead, it is clear that that area too will be given special development status in a bid to attract new enterprises to the Deeside industrial park which has already been constructed alongside the steelworks.

In short, much is being done to ensure that the damage to steel communities is repaired in a way which will give the local economies a wider and therefore more resilient base. But in the end success still hinges on an overall buoyant economy. Without it, there simply will be insufficient inflow of new enterprises to take up the huge number of jobs lost in the Welsh steel industry.

Robin Reeves

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**3. At Ebbw Vale**, Britain's most modern tinplate complex is now in production.

**4. At Trostre** modernisation of the tinplate works has continued, with a new acid-recovery plant in operation and improvements to the five-stand cold reduction mill.

**5. Velindre** also is in the process of improving its cold reduction facilities.

**6. Port Talbot** has new handling facilities for incoming ore and coking coal, new coke ovens and sinter plant, improvements to the cold reduction mills and the coil inspection line, and a new scheme for effluent disposal. Work has recently begun on a continuous slab-casting machine and a replacement power plant.

**7. Llanwern** has been re-equipped from the coke ovens through to the hot mill. Its potential capacity is now 3m tonnes per year.

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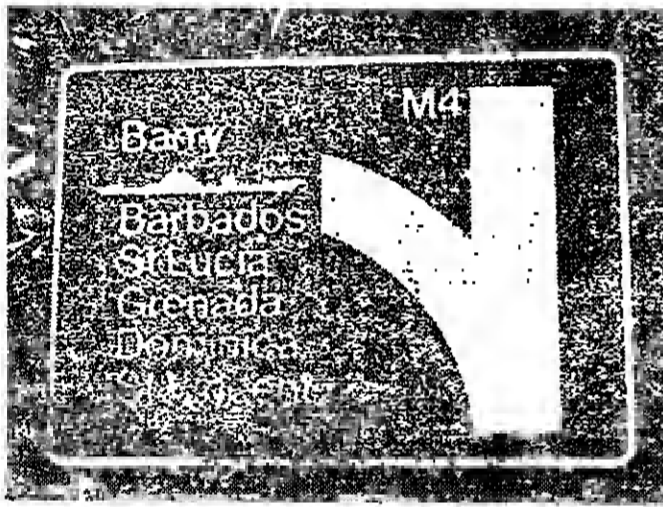
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### The Geest Line

# More overseas companies arrive

BEFORE THIS year is out, some significant new names could be added to the already impressive list of overseas companies operating in Wales. The biggest coup for Wales in attracting overseas investment is Ford's new £180m European engine plant, now nearing completion at Bridgend. The company's decision to come to Wales in 1977 confirmed that the Principality, after a slow start, has now entered the first division in the fight to attract foreign investment.

Hitachi ran into opposition originally from the domestic television industry when it proposed building a plant in North East England and at one stage the company appeared to lose interest for good, with potentially-damaging consequences for overseas investment in Britain generally. However, the company is now happily linked with GEC in a joint venture manufacturing colour televisions at Hirwaun, a move which has enhanced Wales's claim to have assembled the largest concentration of Japanese-owned manufacturing industry in Europe.

foreign-owned companies operating in Wales, and during the first 20 years after the war, the number grew only very slowly by comparison with the rest of the U.K., and particularly Scotland. But the late 1960s and the 1970s produced a quickening in the pace of arrivals. Today there are no fewer than 175 manufacturing concerns in Wales with an overseas parentage providing, between them, well over 50,000 jobs. Of this total, 120 are American-owned, 50 have a continental parent company (22 of them in West Germany) and five are Japanese.

By far the highest in terms of investment and throughput are the refinery complexes of the four U.S. oil companies, Amoco, Esso, Gulf and Texaco, grouped around Milford Haven's unique deep-water anchorage in West Wales. But few industrial sectors in Wales are now without a foreign-owned participant and in terms of jobs, engineering and particularly electrical engineering, is the most important sector.

The reasons which have brought such a variety of companies to Wales obviously vary. But it is significant to note that a 1976 study of overseas investment in Wales found that the package of financial inducements offered by government was the single most important incentive.

The cutback in regional aid by the Conservative Government has aroused concern that the inflow of overseas companies into Wales will be hit. On the other hand, the decision to delay full implementation of the cutback until 1982 ought to mean that potential investors now in the pipeline will be unaffected in practice.

## Oil industry slow to expand

WELSH OIL today is almost synonymous with Milford Haven. The growth of the port over the past 20 years has been staggering. But equally surprising has been the lack of spin-off in the new downstream industries.

Apart from the unique chain of BP plants across South Wales—a setup which has hitherto predated the rise of Milford—there has been remarkably little spin-off. Although it is too soon to write off all hopes there is no doubt that this has been a major disappointment, particularly considering the success of the port itself.

beginning to grow again—even if slowly—and there is some optimism that at least one company will shortly recommence exploration in Cardigan Bay. Most Milford refineries have been working at between 60 and 75 per cent of capacity for years. In the past 12 months production has gone up. According to the Conservancy Board, the figures in the first six months of the year for gross registered tonnage using the port was 16,659,591 compared with 14,598,725 in the same period of last year. Most of the extra tonnage was attributed to increased oil imports.

BP holds a special place in the South Wales oil industry. Geographically no one else has a similar operation anywhere in Britain. The group employs about 55 many people as the rest of the industry together. Oil is piped to Llandarcy from Milford Haven by the Baglan Bay plant. There the group makes a whole range of materials including ethanol, styrene, vinyl chloride monomer and even PVC. BP chemicals at Barry uses some of those materials and also makes PVC.

Advantages  
But the Welsh Corporation team is undaunted. It argues that Wales has other advantages to compensate for any straight comparison of financial inducements. One is a skilled and experienced industrial labour force used to shift work, so common in many modern manufacturing processes. Another is a highly developed social infrastructure. Wales has no shortage of training and higher education facilities which can be of immeasurable importance for the research and development and future growth of a company's operations.

Refineries—and the chemical industry—traditionally provide little employment. In the Milford Haven area there are estimated to be only 3,000 workers directly employed in the industry and that includes about 160 who work for the Milford Haven Conservancy Board which runs the port facilities.

In Wales as a whole oil and petrochemicals employ about 12,000—a very disappointing total when it is realised that these have seen major growth just as the basic coal and steel industries have declined during the 1960s and 1970s.

It is difficult to assess just how much of this is exported from the area, but in South Wales there are a number of plants which use products from the chemical industry. One of the most notable is Taktikon (UK), which makes PVC corrugated sheeting at Bedwas, near Caerphilly. Taktikon is one of the Japanese companies which has moved into the area and it obtains materials from BP at Barry.

There are other notable offshoots to the industry—Monsanto has a plant employing 550 at Newport, Gwent and another at Wrexham in the north employing more than 700. ICI Fibres also has a factory producing nylon and Polyester yarns at Pontypool, Gwent, where it is spending £30m on modernising its plant. The investment will not provide new jobs but will give security to existing workers.

Unfortunely, attempts to build up internal air links within Wales, which would be of immeasurable value in spreading foreign investment more widely, have suffered a sharp setback with the demise of Air Wales. It is a particular blow to large parts of North Wales which cannot yet boast a similar improvement in road and rail communications.

The effect of the cateracker construction can be seen clearly in the Pembroke and Milford unemployment figures. Work is well under way on the Texaco-Gulf cateracker. Last June employment in Pembroke Dock was 11.2 per cent and in Milford 8.4 per cent. This June it was 8.8 and 7.3 per cent respectively.

Higher pay rates in the oil industry have also affected the availability of skilled labour locally—but councils in the Dyfed area are making major efforts to diversify their industries. These could be affected by the general down-grading of the area's status by Sir Keith Joseph, Industry Secretary, in his regional aid changes due to come in August 1980.

Even the Conservancy Board itself is trying to diversify. It managed recently to attract the B and I ferry service to Ireland. The ferry formerly ran from Swansea.

There are also long been hopes of attracting downstream industries to other parts of Wales. Cardiff is an example. Large areas of land on the coast on the edge of the city have been earmarked for this type of development but so far there are not enough attractions in this part of Wales to make this successful.

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Hopes of success have diminished considerably despite the British Gas find farther north in Morcombe Bay and the gas find off the Irish coast. But, with the steep oil price rises, the excitement of the hunt is still there.

Richard Murphy  
Wales these days is changing fast and Nicholas Edwards, 34, the new Secretary of State for Wales, fits the new mould. He has a bright, no-nonsense style which certainly goes down well in his Pembrokehire constituency—which he turned at the election from a marginal into one with a 6,000-plus majority.

And if the reports coming out of recent Cabinet meetings on spending cuts are anything to go by, his outspoken manner has been wielded with some effect against the Treasury Ministers. Certainly that looked to be the case immediately following Budget. Cuts in the Welsh Office's spending plans were, for example, with an equivalent £22m lopped off the Scottish Office budget. "Wales has come through the exercise as well as any other reasonably hope," he commented.

Wales Office Minister, Michael Roberts  
In SOME ways Michael Roberts, MP for Cardiff North West, is the most Welsh of the Welsh Office Ministers. Certainly he resents any suggestion that to be really Welsh you have to speak the language and emanate from somewhere in the hinterland behind Cardiff.

Michael Roberts  
But there is a humpy road ahead. His experience as a teacher and then headmaster in Cardiff before his election is standing him in good stead at the Welsh Office where he has special responsibility for education.

## Welsh Office team



Nicholas Edwards

was formerly a director of PA International and Sturge Underwriting Agency, Mr. Edwards entered politics rather by accident at the 1970 general election.

Earlier this year he raised a storm when he suggested that Welsh-language programmes on the new fourth channel might be confined to the early evening slot.

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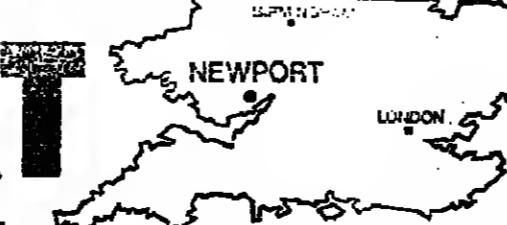
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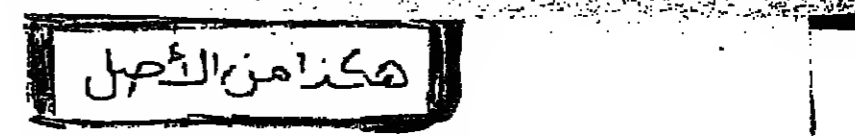
## Why is CLWYD ten times more interesting?

Enquiries about industrial and commercial expansion in Clwyd are increasing ten-fold over the past few years. Why? Because with its full Development Areas status, its large, multi-skilled workforce, proximity to major markets and national/international communications networks, this progressive Welsh county dominates the regional development scene. The news in Clwyd is about sales, not strikes—and it's a great place to live too.

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Wyn Roberts

Wyn Roberts, MP for Clwyd, is the only Welsh member of the Welsh Office Ministers. He has a special responsibility for education.



WALES V

Wrexham retains its character

WREXHAM AS a town does not fit easily into any of the usual Welsh stereotypes...

At the same time Wrexham retains much of the character of a market town for the produce of the surrounding low hills...

The devotion which in South Wales attaches to rugby is in Wrexham as in North Wales generally...

Wonder

It also numbers among its sons two highly different characters—Judge Jeffreys of the Bloody Assizes fame, and Elihu Yale...

centres available to industry settling in the area.

While in Britain as a whole the move was towards reducing the geographical coverage and value of regional grants...

The problem in Wrexham has been the rundown of traditional industries and of mining in particular.

Employment in primary industry in the district has shrunk from 7,000 in 1961 to only around 1,000...

About 10 per cent of the labour force at the British Steel Corporation's Shotton works on Deeside...

From being very largely dependent on extractive industries Wrexham has now built up a substantial and diversified manufacturing base...

Other recent projects have been no less impressive. JCB is to make components for its industrial equipment in Wrexham...

announced plans for a fertiliser manufacturing unit.

Other major elements in the local economy are GKN, which re-purchased from the British Steel Corporation the Brymbo special steel works...

The factors which have led all these groups to set up in the area differ from case to case but there are some common threads.

The picture is nevertheless perhaps not quite so gloomy as the bare statistics of unemployment and job loss would suggest...

In recent years the Welsh farming industry has felt with some justification that it has not reaped the full benefits of adherence to the Common Agricultural Policy.

But Welsh farmers have suffered more than most for several reasons: they operate under more difficult conditions; the most profitable crops, notably cereals...

The 10 per cent devaluation of the green pound conceded by the Government and Brussels this year has eased the immediate pressure on margins.

The only big consolation on the horizon is the likely setting up of the common EEC sheep meat regime sometime in the autumn.

The changing structure of Welsh agriculture was vividly illustrated recently by the decision of more than 1,000 dairy producers to abandon milk production...

too from smaller private developers.

As well as being able to offer land, however, Wrexham has benefited from its geographical position close to the major markets of the North West of England and the Midlands...

Perhaps most important, Wrexham has traditionally enjoyed very good labour relations and this has been a major factor in encouraging companies to choose the area.

The area is within easy reach of the North Wales coastline and mountains, with Llangollen, host every year to the international Eisteddfod only a mile away.

The problem for the district is that jobs in new industries and in the services have failed to keep pace with losses in

major tourist attraction in the shape of Plas Erddig, a 1,900-acre estate and mansion housing a magnificent collection of furniture...

With the growth of investment by major companies in the district, commercial developments have also followed in Wrexham town centre.

Development has taken place in the main shopping streets, and locally owned shops have now been joined by most of the major national chains.

Wrexham houses the North Wales headquarters, however, of both the Welsh Development Agency and the Land Authority for Wales...

Nevertheless Wrexham has shown itself to be capable of both growth and adaptation. If it can continue to strengthen its position as an industrial and commercial base...

Rhys David

Tough times ahead for rural areas



Small enterprises are often enough to sustain rural communities. Here, wheelwright Peter Gibbons is pictured at the Richard Brereton workshop at Painscastle, Powys.

collection by milk tanker, which became obligatory from August 1. The changes mark the end of an era.

The rise in sterling and the renewed energy difficulties are also hitting Wales's important tourist industry.

Most are small enterprises, but a factory employing a dozen people often is enough to sustain a village community in mid-Wales...

The cuthack in regional aid will leave a large part of the Board's operating area without development area status from 1982 onwards...

Even before the Government's regional cuts, the task of attracting new jobs to the remoter parts of rural Wales was looking less easy because of the recent steep rise in transport costs...

Yet perhaps the most worrying development of all for rural Wales is the threatened further large cutback in public expenditure.

And, in this context, there is some anxiety that the new Conservative Government's public expenditure cuts do not extend to the grants available under section four of the 1968 Tourism Act.

Since the scheme came into

effect, about £5.2m has been paid out on Welsh tourist investment projects totalling £15.5m.

Of the more immediate concern is the impact of the Government's regional aid cutback on the work of the Development Board for Rural Wales...

Community Besides bringing new thinking to bear on the exploitation of the natural resources of mid-Wales...

Even before the Government's regional cuts, the task of attracting new jobs to the remoter parts of rural Wales was looking less easy because of the recent steep rise in transport costs...

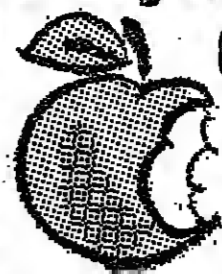
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Since the scheme came into

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LOMBARD
Abolish the home
loans cartel

BY SAMUEL BRITAN
EVERY TIME interest rates rise we have the familiar saga of the Government leaping on building societies to hold down mortgage rates.

Competition

These facts are recalled in an Institute of Economic Affairs Paper (The Building Society Price Cartel by T. J. Gough and T. W. Taylor) published today.

All this needs saying very loudly. But the most interesting feature of the IEA Paper is what it reveals about political economy of government intervention.

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F.T. CROSSWORD PUZZLE No. 4040
ACROSS: 1 Something very slight to record (6)
DOWN: 1 Grieve for a Scotsman about the city (5)

FOR MORE than five years now the legal profession has been earning gradually to adapt itself to a new dimension in the law brought about by our accession to the Treaty of Rome.

Modest means to benefit a minority of borrowers, whose incomes tend to be above average, may seem a peculiar form of social redistribution.

Privilege

The question arises whether reform should be limited to ending the cartel; or whether the privileged position of one form of financial institution at the expense of others, related to their Friendly Society bases should continue.

Jonjo O'Neill looks good bet for National Hunt at 6-4

MORE INTEREST can seldom have been aroused in the fate of two important jockey championships, and it is not surprising to find bookmakers again eager to find punters dive into waters that have almost always proved tricky in the past.

RACING

BY DOMINIC WIGAN
That such a fairy-tale climax to the current season will await Joe Mercer.

Opera & Ballet

COLOSSEUM, Credit Cards, 01-220 5258.
Reservations 01-258 2151.
TODAY: 7.30 The Rheingold, TONIGHT 7.30 The Ring.

Theatres

DUCHESS, 01-636 2843. Mdn. to Thurs. 8.00.
ALCATRAZ, 01-333 2151.
"The night is still young".

Cinema

CLASSIC: Lovers' Journey, 9.30.
THE GODFATHER PART II, 8.00.
THE GODFATHER PART I, 10.30.

On the question of principle, the Law Society has concluded, it is likely to be rare. The reasoning displays an appalling lack of knowledge about the procedure before the European Court and will only confirm the image of the English legal profession, English barristers are held in high esteem by the judges of the Court.

THE WEEK IN THE COURTS

BY JUSTINIAN
In effect, the valuable contact of English lawyers with the Court process is to be denied in those cases where the national litigation is stated to be of minor importance.

By no less a body than the Law Society, the professional body for 30,000 solicitors. That body has been responsible for administering the civil legal aid ever since its inception in 1960.

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Abolish the home loans cartel

EVERY TIME interest rates rise we have the familiar saga of the Government leaping on building societies to hold down mortgage rates. The effect can at best be temporary. For unless interest rates come down or the government gives a subsidy, building societies must eventually both pay more to investors and charge more to borrowers.

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THE ARTS

Glyndebourne

La fedeltà premiata

by MAX LOPPAPT

Nichlas Braithwaite has taken over as conductor for the last four performances of the new Hadya production at Glyndebourne. He is already a seasoned opera conductor in his own right, and at the second of those four performances last Friday, the task of inheriting an already routinised reading was made to seem far less thankless than it often can. Musical standards were very high—the tone of the London Philharmonic Orchestra was buoyant, colourful, and well-placed under the voices, support for the singers was mostly steady, the pacing was brisk. Even once or twice, a little too brisk, the movement from the Symphony No. 63 that serves (properly) as nuptials and (improperly) as ballet music in the second act whizzed along—the jarking about on stage may have encouraged Mr. Braithwaite to drive the music hard the second time around, but what was the excuse the first?

Albert Hall/Radio 3

Roger Woodward

by RONALD CRICHTON

Saturday's prom with the Royal Philharmonic Orchestra under Lawrence Foster, brought Roger Woodward as soloist in two works for piano and orchestra. Schoenberg's Concerto is not an obvious companion for Liszt's Totentanz, and neither work is strictly speaking popular, yet the hall was nearly full. Of the Schoenberg the artists gave a performance both illuminating and enjoyable in a way not to be taken for granted—with that master's larger, mature scores. Lyrical and dramatic expression (there is plenty of both) were paramount, lines were strong and sensitive, the peculiar, acid, yet not unfriendly colour of the music was surely applied. Comparisons of Schoenbergian texture with Expressionist painting are a cliché but they will come and they did. Liszt's extended, gleefully sulphurous Totentanz, gratefully came on less than a year ago. Woodward produced a performance of his but not cluttered tone. He made striking effects like the prolonged sustaining of the piano chord after the orchestra breaks off at the end of variation 3. He made it clear that in the

Wigmore Hall

Moore's Young Almanac

The Young Moore was Gerald, the unashamed accomplice, to whom we owe more, than that description implies, who now pretends to be 80 years old. The Almanac was the Songmakers' group of young singers founded by the pianist Graham Johnson, who is set fair to become an adequate and comparable 'distinctive' to Moore. The concert last week was a birthday tribute, with the guest of honour in attendance and every seat sold. The programme, devised by Mr. Johnson with typical ingenuity, ranged over Gerald Moore's life, extra-favourite composers and, as he calls the credit of the singer of great singers with whom he can't work, his beloveds. There were recordings from the past with John Coates, Gerhardt and Flora Nielsen, recorded messages from the present, from Schwarzkopf, Baker and Fischer-Dieskau. Composers glimpsed, sometimes briefly, were Schubert, Schumann, Brahms, Wolf and Strauss, who was given the last word. There were many others, some of them unexpected. The Songmakers like

exploitation of percussive effects, Liszt's piano writing in this work is more novel than Schoenberg's more traditional style—which of course does not make the Totentanz in any important sense more 'modern' than the Concerto. But there were course and clumsy pages, like the end of the adagio, while in general Mr. Woodward made a series of furious rushes at the music like a dog attacking an intruder. Liszt needs a sense of gradual unfolding as much as Schoenberg, and needs it even when his feeling for Italian cantilena is as much obscured as it is here. At the beginning Mr. Fister and the RPO induced good humour and wakened concentration with a reading of Haydn's Symphony No. 97. The C so luminous and well-pointed that the work only began to seem wholly familiar in the finale. For this reason the speed of the music and the speed of the music, which has become more contracted, the trio more lively, but such things as the glazes, the slow introduction do not often tell so clearly in this hall.

to work in songs from revues, musicals or cabaret. No harm at all in reminding audiences how good (and rare) good light music is. But the mixture doesn't quite bring it off, doing the light numbers at once too well and not quite well enough. A sort of prissiness creeps in. For the nature of the occasion, the amount of punning and obnoxious, everlastingly awful, English whimsy might be forgiven. With it and, fortunately, not drowned in it, was some excellent music-making by Felicity Lott, Anthony Roife Johnson and Richard Jackson. Ann Murray was announced but unable to appear. Graham Johnson not only played (giving a memorable reading of the fearsome piano part of Schubert's "Auf der Bruck" but compared Readings from Mr. Moore's books and other sources were shared. Timing was faultless: the switches from song to speech to tapes and back again went with perfect smoothness. RONALD CRICHTON



Scene from 'It's Rain and Shine Together'

Budapest

Domestic films and playwrights

by FRANK LIPSUS

When Hungarians discuss the theatre, they discuss Hungarian theatre. But when they talk about films, they mean American films. They joke about how little they go to the films of their own country. Last year, on a brief trip to Budapest, my wife and I rushed to catch an early evening showing of The Hungarians, a film based on a popular Hungarian novel. The two of us were half the audience in a rather large cinema in the centre of Budapest. The Americans nominated it this year for an Oscar as best foreign film, but I doubt that any more Hungarians went to see it. Recently, though, Hungarians were queuing up for a domestic film, Peter Bacsó's The Witness, which was bound to attract attention, as it had never been shown since completion in 1968. Even now, it had only a one-week engagement in Budapest, a strategy that made it all the more attractive. Everyone was talking about it, and not just because they wanted to see it. A vociferous minority objected to its making fun of the Stalinist days of the early '50s in Hungary, a legitimate complaint considering the horror of the time and the hero's ability to get away with so much. He may get put in jail, as happens more than once, but the jail look almost more inviting than the new Budapest Hilton. The hero's offences are either more serious than the film allows, or ludicrous, as his forcing a guard to open a public swimming bath to a crowd of waiting children while a government official is inside swimming. Other peccadilloes include the way he includes his dog's urinating on a sign lauding the Socialist revolution and mentions of the "Hungarian oranges," when the government planted lemons to see whether they could prosper in this inhospitable climate of Hungary. (They couldn't.) Other films, while not so popular in Hungary, are doing a better job of exploring that dark era of the recent past. The Stud Farm by Andras Kovacs concerns a persecuted

minority—the officers of the previous regime who were used as horse trainers while their families got dispersed into unknown parts of Hungary. The men's unwillingness to cooperate with the inept Party man sent to manage the farm appears perfectly reasonable, especially when the manager's naive assurances and confidence reflect his own ignorance of Party machinations. The manager's older brother, a more important politician who runs a co-operative farm, has a glimpse of what is going on when he is sent to pick out an agricultural expert from a prison labour camp. His warnings to his brother go unheeded—or, rather, uncomprehended. The film, meant to be shown at the Berlin Film Festival, was a victim of the controversy over The Deer Hunter, and the Hungarians withdrew it before it could be shown. It has not had the exposure of a lauded, but less subtle, Hungarian film, Angli Vera, which appears at first to be just a light-hearted look at a Hungarian national holiday, especially in comparison to Family Nest, which sounds an alarm about present housing shortages in Hungary. To start with, Lajos Koltai has photographed the country setting of the festivities with a fair colour and some arty close-ups that are not 'fall out of place. When Jolan invites her boss, a government minister, and his family to her parents' home for the holiday, all the preparations have to be done with extra care. The three generations living in the house are mobilised by Jolan's sister-in-law, who invents lofty ambitions for her children because she assumes the visiting official can do anything to help them. Her nervous anticipation of the visit makes the preparations hectic, carefully observed to the

Busseto

Verdi's town

by WILLIAM WEAVER

An early, little-known biographer of Verdi, Oreste Boni, whose Giuseppe Verdi was published in Parma in the year of the composer's death, wrote: "It is not permissible to cast doubt on Verdi's love and attachment for the land of his birth... Whoever does so would offend not Verdi, but Busseto... Like all truly great men, Verdi was also truly good and most sensitive to all affections. Among these, that for his homeland was no less alive or warm in him than in others." Actually, Boni admits—as later biographers have confirmed—that at times there was some dissension between Verdi and the town of Busseto; but the fact remains that Verdi chose to live there and, though he sometimes threatened to move away, he never did; Busseto was remembered in his will. Whatever Verdi may have felt about the town, it is obvious that the town is obsessed with Verdi. His picture, his name, his imprint are everywhere: in a leading salami-and-ban shop (with Verdi himself patrolling the door), in the local post office, in Verdi's autographs are proudly displayed. But this worship is not merely passive: the local library (under the intelligent and vigorous guidance of Corrado Mingardil) has encouraged Verdi publications, the town sponsors an annual "Verdi voices" competition, and Busseto's "Amici di Verdi" this year welcomed Verdians from all over Italy to celebrate the restoration of the Salone Barezzi the drawing-room of Antonio Barezzi, Verdi's local patron, father-in-law and friend. Barezzi, as every student of Verdi knows, was a gifted amateur musician (the played the flute, the clarinet, the ophicleide, and the double-bass); he was also the chief animator of musical life in Busseto, an organiser of the Società filarmonica, an amateur orchestra and chorus. His drawing-room served for rehearsals and, on occasion, for concerts. It was in this room that the young Verdi gave piano lessons to Margherita Barezzi, his future wife; and in this room Verdi performed—conducting the Filarmonica—some of his first compositions. After Barezzi's death, his property was scattered. The house itself, facing the main square of the town, was for many years uninhabited. Finally the property was bought by the Banca Nazionale dell'Agricoltura, which turned the Salone over to the Amici di Verdi. The Amici collected contributions from America and patiently set about restoring the room to its early 19th century appearance: the proper wallpaper was found (in France), the original sofas were donated by surviving members of the Barezzi family, a former mayor of Busseto contributed the affecting pencil-portrait of Verdi, drawn—probably on the occasion of Verdi's wedding to Margherita by Antonio Barezzi's brother Stefano. Barezzi's piano was brought

Sadler's Wells Ballet premieres

Two London premieres, the first London performance by Sadler's Wells Royal Ballet of the Elric Synchronos and a birthday performance in honour of Sir Frederick Ashton are highlights of the company's season at Sadler's Wells Theatre from September 5 to 22. The two new ballets, which transfer direct from the Edinburgh International Festival, are Kenneth MacMillan's Playground and David Bintley's Punch and the Street Party which opens the season on September 5 in a programme which includes Kenneth MacMillan's Concerto. Playground, with designs by Yolanda Sonnabend, is a dramatic work to an orchestral piece by Gordon Crosse called "Play Ground." Punch and the Street Party is David Bintley's comedy ballet about Punch's exploits at a street party to celebrate Victoria's Diamond Jubilee. The first London performance by Sadler's Wells Royal Ballet of Kenneth MacMillan's Elric Synchronos is given on Tuesday September 11 in a programme which includes Les Rendezvous and Braulhards. In honour of Sir Frederick Ashton's 75th birthday there will be a special performance of his ballet Les Rendezvous and The Trio Pigeons on Friday September 14.

CRICKET TREVOR BAILEY

Botham looks set for greatness

AFTER THE dismissal of a limited, and demoralised India for under 100, with Botham taking five wickets, England batted themselves into a virtually invulnerable position. At stumps on Saturday, they were 261 runs ahead with three wickets standing and, unless prevented by the weather, should inflict their second innings defeat, well within the distance. Gower, gloriously, Randall, sensibly, Botham, bolsterously and, to a lesser degree, Edmonds, delighted the crowd in their different ways, but the spectators were less happy in the final session as Miller and Taylor added runs against a four-man attack which had long since lost its teeth.

Relentless. They wanted to see a period of spectacular batting followed by the England bowlers trying to pick up two or three victims, before the close, and Botham possibly taking the one wicket he needs to secure a hundred in Tests in record time. Obviously, this would have provided more excitement for a Saturday crowd than Brierley's relentless approach,

but it should be remembered that this is a Test. In international cricket, the first aim is to win and the second to avoid defeat. Once entertainment is considered more important than these two objectives, cricket becomes a mere exhibition, not a serious contest, and the long-term interest will inevitably die. The odds are that Ian Botham will capture his 100th Test wicket today and, by the end of this series, he should also have completed the speediest "double" as he now requires only another 140 to reach 1,000 runs. When it is remembered that his first international was against Australia, at Trent Bridge, in 1977, his impact can be said to have been sensational. He is already a world-class cricketer: whom I think will become the finest genuine all-rounder England has produced since the First World War. Although Botham has played 19 Tests, it is not possible to assess whether he is a great all-rounder or merely an outstanding one, because he has not yet encountered any opposition with high quality batting, or bowling.

His most searching examinations will come this winter against Australia, thirsting for revenge and strengthened by their Packer contingent and next summer against the West Indies. Botham is a fast medium seamer, rather than seam bowler. His most dangerous ball is the outswinger, although he also has a big inswinger. He has a useful, sometimes over-used bouncer, an improving slower ball and he uses the crease in his constant search for variety. Although, with some justification, he has been called a lucky bowler, he also makes his own luck. He attacks, keeps the ball up to the bat and experiments. Luck alone could not bring 100 wickets in 19 Tests. Complete. Many good judges, including Brian Close, believe that Botham will, with maturity, blossom into a mighty international batsman, rather than his present Test role, as a spectacular, somewhat unpredictable middle order striker. Although he has moments of uncertainty against spin, he has

the ability to destroy a class attack by the power and considerable range of his strokes. As a fielder, Botham is every captain's dream, because he is the complete all-round fielder. He is superior to most specialists, whether it be in the slips, as a suicidal hit man, or as a cover. Action. Botham's qualities do not end with his talent in these departments. He also has two other vital assets. First, there is his exceptional stamina and sheer physical strength, which enable him to keep going for long spells and to budge on a six into the crowd from a mis-hit. Second, he is a natural competitor who revels in a fight; indeed, he is just the person to have around in a tough situation. I have a hunch there will be plenty of fast action and acrimony in the next two series. England will then need cricketers with big hearts as well as ability and Ian Botham unquestionably will be in the front line, responding to the challenge of "facing fearful odds."

YACHTING BY SAM VITE

Britain's cup chances vanish

AT THE half-way stage of the Admiral's Cup ocean racing series centred on Cowes, it is still anybody's event; anybody's hut Britain's that is. After squandering a very strong position in the second inshore race last Thursday and losing valuable points by the retirement of Morning Cloud from the Channel Race, Britain's chances of taking the chunky Gold Cup for the third time in a row are now gone. It looks as though the battle will be between Ireland, Australia, the U.S. and Hong Kong. Of course, chance plays a large part in yachting. It happened that the double points value Channel Race which finished on Saturday evening favoured the smallest boats in the fleet. And Ireland, with two low-rating yachts and a medium one, simply cleaned up. With Ken Rinha's 40-foot Holland-designed, Regardless winning her second race in succession, Mishanter taking the bigger Golden Apple performing well to finish in 17th place, Ireland easily displaced Hong Kong from the top position in the team points table. By contrast, the fates were

playing fast and loose with the British team. The superbly consistent Eclipse took third place in the Channel Race to maintain Jeremy Rogers' reputation for total dependability; he now has a sequence of eights, seventh and thirds to his name, and Eclipse is a close second to Regardless in the individual boat scores list. But all that counted for little against the disastrous form of the other two British yachts. Mr. Edward Heath, the team captain, seemed to be unlucky to break the rudder on Morning Cloud in mid-Channel. But what? Two American boats had suffered broken rudders made with carbon fibre in the Southern Ocean RACING Conference races off Florida earlier in the year, yet the ex-Premier was persuaded to fit an American-made rudder of the same type to his yacht. It represented a saving in weight and was said to be more efficient with greater flexibility," he said as he stood furiously holding the broken stock. "I was told the problems experienced in the SORC had been solved and it seemed to be OK. Perhaps we've learned our lesson," he added with a rueful smile. There can be no rationalisation for the third British yacht, Blizard, after winning the first inshore race on Wednesday to give Britain a flying start, she surged into the lead on Thursday, only to make a total hash of it all by sailing the wrong course. That lapse cost Britain about 30 points, so with Blizard at a 23rd on Saturday night—it's only fair to say, along with all the other high ratings—Britain's spot in the overall table dropped from a just redeemable fourth to a hopeless ninth. The Channel Race caused a big shuffle in that table. France's trio of little ones revelled in the light weather going and finished second, seventh and 13th, which was enough to shoot her up the table from 12th to fifth. But it seems more likely that the cup will go to Ireland for the first time. In spite of Mishanter's poor result in the second inshore race because she had to stop and pass a badly injured crewman to a rescue boat, the whole team's performances have been steady enough to give them a valuable 16 points lead. Regardless is obviously the star of the side, and leads the individual boats points table. But Golden Apple is only 24 points behind, having scored a sixth, a second and a 17th. But then, you would expect that boat to get quickly, as well as skipper Hugh Coveney aboard she has the designer, Ron Holland, the double Olympic Gold Medalist. Rodney Pattison and Ireland's best helmsman Harry Cudmore. If that team of talent couldn't do well it would have to be the yacht rather than the yachtmen to blame. Australia can still do well, especially if the wily old campaigner, Syd Fischer can get his latest Raganuffin to emulate the feat of her 1971 namesake and win the Fastnet Race which counts treble points. And the Americans are handily placed although the previously-consistent Aires had a poor Channel Race. The Hong Kong trio were nicely poised to take the cup in Asia for the first time until the Channel Race, when their big boats sagged sadly.

THE AMERICAN TURNDOWN AND THE WORLD ECONOMY

# Burning the house to roast the inflationary pig

## Spending on education

Of all the services which the Government provides and is now determined to cut, education is the one that ought to be treated most leniently, particularly by an administration that wants to regenerate Britain through reliance on individual effort and ability. Education is a genuine public good, which benefits the whole of society and not just the individuals who consume it. It is both a right which society grants and an obligation it imposes and thus is not suited to allocation through the market. The nature of the cuts in education spending proposed last week by Mr. Mark Carlsie, the Education Secretary, suggests that the Government is aware of the overwhelming need to maintain and improve educational standards.

### Further cuts

The cuts proposed have been in the incidental areas which are incorporated in the educational system largely through historical accident—free milk, cheap school meals and transport subsidies for foreign university students. These will cause some individual hardship, but this, in a society which has opted for private, rather than public consumption, will have to be solved at an individual level through the social security system, rather than through blanket subsidies to millions of families which are not in the least needy.

Unfortunately, the £200m that the Government expects local authorities to be able to save on these non-educational services is likely to prove inadequate once details of the Rate Support Grant and the financing of the Clegg pay awards are announced. Since education accounts for about half of local authority expenditure, further cuts will probably be required.

In education, unlike most other public services, cuts should be concentrated on capital rather than current expenditure. Some of the modern teaching methods which rely on expensive machinery rather than personal contact could be discouraged without harming the all-important core curriculum of English, mathematics and a basic knowledge of science. Even good science

teaching depends more on the ability of schools to attract good science teachers with competitive salaries than on the provision of elaborate laboratories. The fall in Britain's birth rate during the 1960s means that the pressure on school buildings will gradually ease.

### State system

But one current expenditure that the Government might do well to reconsider is the £50m it plans to spend on subsidising bright children who want to go to independent schools. Until now plans emerge in detail in the autumn, it is uncertain how far up the income scale this means-tested subsidy will apply. If it is modelled on the present university grants system, it will help many well-off families, and not just the poor, to send their children to independent schools. The money would be better spent on improving the State system.

Despite the short education Bill rushed through Parliament immediately after the election in order to safeguard the future of the 300 remaining grammar schools, much of Britain is now irrevocably committed to the comprehensive system. So far the comprehensives have not lived up to expectations. But the survival of less than a third of the grammar schools that existed in 1970 cannot ensure that adequate numbers of adequately educated school-leavers go on to universities; neither will an increase in assisted places at the independent schools achieve this goal.

Now that a Government committed to the improvement of basic educational and disciplinary standards is in power, the comprehensives must be equipped to provide all children with a good education and to prepare the brightest for university. The experience of other countries suggests that basically comprehensive systems of secondary education can produce academic excellence if able children can go on to universities. What is important is the setting of high standards and a determination to monitor performance. This has been lacking for too long in the British educational system.

## The Assembly in Iran

IN ONE sense last Friday's elections in Iran have helped clarify the usually obscure political situation there. Whether by participating in the election or boycotting it, the different political groups have been forced to show where they stand. The election was held to form a 10-man assembly to give the country a new Islamic constitution. In the event the centre parties and several groups on the left decided not to take part.

### No compromise

But the victory for Ayatollah Khomeini's Islamic Republican Party, which—with two-thirds of the votes counted—seems assured, is not completely hollow. It appears that the rather more moderate Moslem People's Republican Party led by Ayatollah Shariatmadari, who had quarrelled with Khomeini in the past, has won enough seats to provide some opposition to Khomeini's group of clergy. How effective it will be in countering his plan for a constitution that would give a small group of religious leaders remains to be seen.

Yet, despite reports from Iran of growing disquiet, both within the Islamic hierarchy and the Iranian revolution which has brought and with Ayatollah Khomeini's autocratic imposition of it, there have been no signs of compromise from the city of Qom, where the Ayatollah and his ruling Revolutionary Council, composed mainly of clergy, reside. On the contrary, aware that the basis of support for him among ordinary Iranians is still intact, Khomeini has allowed his followers in the revolutionary committees to use increasingly rough methods against their political opponents, as the election has shown.

### Middle classes

Ayatollah Khomeini appears to be acting mainly out of fear of a takeover of power by the Marxist groups on the left. These groups, most of whom are keen to demonstrate their lack of connection with the Soviet Union, showed great organisational and military strength during the revolutionary turmoil earlier this year, since they have been linking underground, their organisation needs

reportedly intact, awaiting a suitable moment to strike. The Ayatollah appears less concerned about the centre parties which represent the bulk of the middle class, even though it is this group which probably feels most disillusioned with a revolution which, many of them think, has replaced one form of authoritarianism with another and taken away economic prosperity as well. So far the centre parties have been disunited and disorganised, but they can expect to gain strength if the present disorder and austerity continue. This is a point which Dr. Shapour Bakhtiar, the moderate Prime Minister who actually engineered the Shah's departure last January, appears to appreciate. He chose last week to emerge from secret exile in France and declare his availability.

### Stranglehold

Ayatollah Khomeini and his associates may finally be realising that there is no substitute for effective, pragmatic government. The leadership has so far failed to solve the admittedly tricky problem of the regional separatists, especially the Kurds in the north-west and, even more crucially, the Arabic-speaking population of Khuzestan in the south-west, where most of Iran's oil is produced. It has also failed to produce and operate a coherent economic policy that balances the rejection of the Shah's ambitious development strategy against the need to provide employment and improving standards of living for the country's 35m people. The leadership has made its task more difficult by its hasty and ill-thought-out policy of nationalisation and by its reckless abandonment of some worthwhile projects—such as badly-needed new roads—along with the more grandiose schemes. True, the Government has lately shown more determination to tackle economic problems and may be helped by its partial integration with the revolutionary council. But for a policy to be effective the Government must at some stage lift the stranglehold that Islamic revolutionary committees hold on individual businesses.

**Y**ES, THE U.S. is now in a recession. It began sometime between New Year's Day and April Fool's Day.

No, our inflation is not under control. The OPEC oil-price increase and short grain crops abroad add to our core rate of inflation. Wage rates geared by contract or by practice to rises in the cost of living become themselves new causes of amplified inflation.

Maybe interest rates are near their peak. But maybe the Federal Reserve, under its new chairman, Mr. Paul Volcker, will act for a few months to twist the screw of tight credit one more turn. The jury is still out on this point.

Certainly, the unemployment rate will rise as 1979 wears on. The trauma of petrol shortage and its consequent long queues of motorists have led to the demand for large Detroit cars. Lay-offs follow, as night follows day.

Normally, profits fall in a recession. And, in its first phase, equity prices usually also fall—fall absolutely, and in terms of bond prices. Wall Street now debates with itself whether to act in the normal fashion.

The dollar, which took a battering in the foreign exchange markets last October, came back briskly after President Carter's November 1 promise to deliver a recession. U.S. Treasury officials preened themselves over the success of their intervention. He who boasts about making the morning sun rise takes on the obligation to conjure against its afternoon descent.

As Secretary of the Treasury W. Michael Blumenthal turns the abacus over to G. William Miller, jittery speculators have been bidding up the price of gold and selling the dollar short. We are exiting ourselves from the promised land into which Milton Friedman had led us—where floating exchange rates give nations autonomy for domestic macro-economic initiatives. Messrs. Miller and Volcker are pledging to defend the dollar, whatever the toll of production and jobs. Cynics regard it as fortunate that not all the pledges of public officials are redeemed in a modern populist democracy.

The U.S. history I now recount differs so far little from my beginning-of-1979 written surmises. What about the rest of the globe?

Earlier I wrote: "In as much as the principal nations abroad have not enjoyed recoveries at all comparable to that of the United States, I see no good reasons why they should let themselves follow the U.S. down the path into recession."

How naïve I was! Little did I envisage that when central bankers and government officials got together this summer, they would be saying: "The only way to reduce the demand

for energy, the only way to force upon labour the reduction in real wage rates called for by dear OPEC prices and bleak harvests, is to encourage a recession to develop. The West German pattern of weak output growth (and tamed inflation) is not to be pitied. It is to be envied—and emulated."

I have two reactions to this candid prescription. First, to roast a pig need one really burn down the house? Is there no other way to reduce oil consumption than to reduce consumption of all the necessities of life and to engineer a secondary contraction far greater than the primary drop in output directly attributable to reduced energy input? Besides, real wage rates in Germany don't seem to have been curbed significantly by Chancellor Schmidt's flirtation with austerity.

### Slowdown

Second, if you are not Germany, it is not all that easy to achieve the German successes: an export surplus, strong exchange rate, placid trade union movement and calm electorate. More important, what Germany can do to develop a trade surplus when other countries don't follow her example cannot be achieved by oil countries trying to follow her example.

I was right to deny that it is any longer true that "when the U.S. coughs, Europe gets pneumonia." But I would not wish to deny that the major world nations can act in concert to bring themselves all down to America's state of lethargy.

But should they want to do so at this stage of their recoveries? When I tell American audiences that the current recession has written on its bottom "made in Washington," I hasten to explain that this is not an accusation of incompetence or sadism. After four years of vigorous expansion, our GNP has begun to bump against the ceiling of its full employ-

ment potential. I could not so convincingly write the defence for 1979-80 recessions that carry the imprint: "Made in Bonn. Made in Tokyo. Made in Brussels and The Hague."

Before discussing evidence that bears on the likely depth and duration of the present slow-down, I should survey the variety of scenarios forged by economists from different schools. Many chests present themselves for medals of performance.

Monetarists, observing last winter's absolute decline in the supply of money, generally predicted the recession.

Quasi-Keynesians, the only kind we have these days, for once found cyclical turning-points in their prediction print-outs. Chase Econometrics was rewarded for its pessimism.

The leading indicators worked this time. They led at the turn. The new American school of "rational expectation" located thinly on a line between the University of Chicago and the Federal Reserve Bank of Minneapolis, no longer produces its expected forecasts of any events. This at least is an improvement upon their indiscretions before the 1974 debacle.

Government economists, who sometimes know better than they speak, have for once admitted that the country is in for a recession. Having OPEC to blame helps the cause of those who advocate candour in official economic prognosticating.

Actually as in the 1973-75 recession, the energy shortage is a substantive cause ensuring that what might have been only a growth recession has become an outright recession. Higher prices for petrol and heating fuel act to increase the inflation rate and hence to impel the macro-economic authorities into taking more stringent restrictive measures. Having to spend more abroad on costlier oil imports acts just like higher tax rates to reduce disposable incomes and speeding on goods

## 1978-80 U.S. FORECAST OF CHASE ECONOMETRICS

(August 1, 1979)

1979				1980				1979				1980			
1stQ	2ndQ	3rdQ	4thQ	1stQ	2ndQ	3rdQ	4thQ	1stQ	2ndQ	3rdQ	4thQ	1stQ	2ndQ	3rdQ	4thQ
Real GNP Growth* (per cent)								Unemployment rate (per cent)							
+1.1	-3.3	-2.5	-2.8	-0.9	+2.8	+2.4	+2.8	5.7	5.7	6.1	6.8	7.5	7.9	7.9	7.9
+1.1	-3.3	-1.5	-0.5	+1.1	+1.0	+4.6	+4.3	5.7	5.7	6.0	6.4	6.8	7.0	7.1	7.1
Consumer Price Growth* (per cent)								Short-term interest rates (Federal funds)							
11.1	12.8	11.9	8.3	7.8	8.1	8.1	7.3	10.1	10.2	10.5	9.1	7.3	7.0	7.1	7.2
Money Supply Growth (M2)* (per cent)								Long-term interest rates (new AA-rated corp. utility)							
1.8	8.9	9.0	9.3	8.6	9.0	9.8	9.4	10.1	10.2	10.6	10.0	9.1	8.5	8.3	8.4
Profit Growth during previous four quarters* (per cent)															
+33	+14	+9	-5	-6	-3	+5	+16	9.7	9.8	9.6	9.5	9.3	9.2	9.25	9.3

\* Percentages are expressed as annual rates. After mid-1979, data are estimates.

The table gives data on real GNP growth, unemployment rate, and short-term interest rates, as forecast by Chase Econometrics and by Data Resources Incorporated. In every case, the second row is DRI numbers and the first row Chase numbers.



**PAUL VOLCKER**  
...one more turn of the credit screw?



**G. WILLIAM MILLER**  
...digging in for the dollar

produced by American job-holders. This is in addition to the cuts in spending on cars and vacations occasioned by the petrol shortage.

We have in the OPEC cartel price rises a micro-economic event of macro-economic magnitude. I am one who counsels the Federal Reserve not to try to offset oil-and-food components of inflation by tight money designed to produce offsetting reductions in the inflation rate elsewhere. I come into court with clean hands, having earlier told the authorities that the sign of spreading demand-pull inflation called for more tightness then.

These days you must forecast where the economic predictors will lie. Prof. Otto Eckstein of Harvard has sold his Data Resources Incorporated to McGraw-Hill for several kings' ransoms. Dr. Michael Evans has sold out his interest in Chase Econometrics and joined the ranks of millionaires.

I present the Chase Econometrics August 1 forecast in the

accompanying table. It is a bit more pessimistic than most made at mid-year. By now the crowd will have been infected with the Chase gloom.

For comparison, the chart shows the slightly more sanguine DRI forecast. Whereas Chase sees 1980 as a year in which the U.S. recession barely rises into a growth recession, Dr. Eckstein presents a scenario that President Carter would somewhat prefer in an election year.

Either projection will gladden the heart of Republican candidates. From the recent mid-1979 unemployment low of 5.6 per cent, 1980's end is likely to see an unemployment rate of somewhere between 7 and 8 per cent.

Note how weak is the expected drop in long-term interest rates. These days, the market seems remarkably efficient in anticipating likely future events—such as a 1980 recovery. By contrast, short-term interest rates fall more sharply, in anticipation of next winter's weakness in the economy.

What are the odds that the U.S. recession will be so virulent and long-lasting as to pull the rest of the world into a recession comparable to that of 1973-75?

Were it not for my concern that Government policy may be conducive to weakness in the American economy, I would be against the "current recession being a major down-turn."

Before the turn, the U.S. recovery had not this time moved so strongly into the region of full capacity and supply shortages. Inventory stocks were more distorted in 1973 and 1974 than the evidence suggests they yet to be. All this augurs a more moderate down-turn.

The 1979 rise in OPEC oil prices, bad as it is, is only a fraction of the jump we experienced in 1973-74. From smaller external shocks, we are entitled to expect smaller adverse cyclical reactions.

There is a third, important difference from 1972-74. Then, raw material prices were soaring, as the whole world was simultaneously in an all-out boom. When all go together, the skies are greased for all to collapse together. Europe, this time moves to a different drumbeat from ours.

Why, then, am I not more sanguine? My concern that the U.S. could be in for two or three years of stagnation stems from my apprehension that political pressures may this time work towards pre-occupation with inflation rather than with recovery in output and employment.

The Kennedy team of fifteen years ago would be confident that it had the knowledge and power to bring the current recession to an end by next spring. Now that is ancient history.

Jimmy Carter is in deep political trouble. His energy programmes remain rhetoric. His elevation of Hamilton Jordan to Willie Hoist's high command smacks to the electorate of Richard Nixon's Watergate isolation. Carter's sending his wife out on the stump to praise his strength backfires.

I can no longer dismiss the odds that Mr. Carter will decide against running for re-election. If that occurs, the conditional probability arises that his administration will eschew the usual election-year pumping-up of the economy. Instead, he may choose to go out of office in a blaze of glory fighting inflation.

That same blaze could sour a considerable part of the U.S. economy. Its heat will not be confined to our own shores, as the rest of the world faces for the first time in the Age of Keynes an American economy not pre-occupied with full employment.

Professor Samuelson is Professor of Economics at the Massachusetts Institute of Technology, Boston.

## MEN AND MATTERS

### AA in top gear — for selling

Since its founding in the days when motoring was a new sport for the Edwardian upper classes, the Automobile Association has come a long way. When its latest mail-shot fell through my door last week, I wondered if perhaps it has travelled a little too far.

There were five different his of multi-coloured paper, strewn with the verbal wreckage of marketing seminars: "Say, YES today!" "A Golden Opportunity!" "You've been given five chances to win a glittering prize in our £28,000 contest!" Although I am fairly conditioned to all that, I recently met a typical old-style AA member, a retired major in the West Country. He bitterly complained of being solicited to take out a loan with the AA—"It is in your advantage to act now, RSPV within 15 days."

So I telephoned the association to ask what this increasing flood of "literature" achieves, and just how much of it goes out. Facts were not easy to come by. The AA will not say how many of its 5.5m members it has with its mailshots, or how often. But the lists are all computerised, so that selective mailings may be made. "The literature is always cosied in with the prices of products," I was assured. The AA sells an ever-widening range of merchandise, as well as offering holidays, insurance and other services.

The net result is a saving of 31p a year on each member's subscription, the AA estimates. The chatty promotion style is plainly much influenced by the Reader's Digest, with which the association has close links. Diversification began during the 13 years when Sir Alex Durie was AA director-general; the loans scheme is handled by Mercantile Credit, of which Durie is a director.

Supposing AA members feel their intelligence is being insulted by being told to rub a



"What's good for General Motors..."

coin over a blank space to see if they are lucky winners of a Surprise Award? "Complaints are few," I was told. "But you can send in a card if you don't want any literature."

### Going private

Our new masters have invented the ugliest word of 1978—"privatisation"—to describe their intention of selling off various bits of State enterprise such as British Airways and BP. (I am told, an anticlimactic of the German "Privatisierung"—liffself drawn from English.)

Now news reaches me that the transfer of resources from the public to the private sector is about to assume hitherto unimagined proportions. The Department of Employment, no less, is changing allegiance. In the next couple of weeks it is moving out of its St. James's Square headquarters, where its landlord is that bulwark of the public sector, the Post Office Pension Fund. Its new home will be Caxton Hall in Tolhill

Street, owned by the decidedly non-public Commercial Union.

### On a quieter note

Having long since dispensed hereditary heads of state, the French stamp their bank notes with the likeness of some historical figure, whose fame is less transient than that of a President of the Republic, elected every seven years.

For the last 14 years, that honour has gone to Corneille, the seventeenth-century poet and playwright, whose head has graced the Fr 100note, roughly equivalent to our tenner. The colourful "Corneille" will now be replaced by a new Fr 100 note, bearing the face of Eugene Delacroix, the Romantic painter who died in 1823.

The old note is now considered too bin and too easy to forge. The "Delacroix" will be smaller and printed in a mixture of sombre browns and greys—which would certainly not have been to the taste of the artist whose effigy it bears. A clever innovation is that it will be embossed with three raised spots, so that it can be identified by blind people and those who, for one reason or another, are doing business in the dark.

### Pedal promotion

Bicycle manufacturers TI Raleigh is putting a brave face on its disappointment in the Tour de France race. After winning the team prize for the past two years, all it could manage this time round was third prize.

The race was the climax to a four-year campaign to put the company's name on the bicycling map in Europe, especially in the large and difficult French market. More than £1m has been spent on promotion, some £400,000 of it this year.

Raleigh says that while the result was a blow, there was still a lot of promotional mit-

age in the several break-aways by team members, when the TV cameras were trained on the Raleigh vest for 20 minutes at a time.

The four-year programme had improved the manufacturer's "visibility" in the French market enormously. In 1975 the number of people who had heard of Raleigh was negligible, while a poll last year showed that 31 per cent could identify the company.

And while Raleigh slipped back this year in the tour, parent company TI was keen to point out yesterday that another of its subsidiaries, TI Reynolds, supplied the tubing used to make the winning Renault bikes.

### Beastly habit

The silly season being upon us, it is timely enough to mention my meeting with a donkey called Jonathan in a pub in the Sussex village of Alford. To be precise, Jonathan was just putting his head in the window to drink half a pint of Guinness. "He sometimes has a pint, when I can afford it," said his owner, airline pilot Bill Scheerbaum.

Scheerbaum also has a pet snail which drinks gin and tonic. I can report that while the donkey can hold its liquor, the snail often gets tipsy and collapses in a heap.

Animal stories invite trouble, of course. A million paragraphs ago, in Africa, I published a photograph of a man holding a huge python which he had killed by jumping on its head. "Is this a record?" was the careless caption. For months afterwards, men staggered into my office with snakes—some scarcely dead, others in advanced stages of decay. All callers at Bracken House with talking dogs will be sent elsewhere.

Observer

## DSO, MC, MM...



### now, when he sees a clock, he hides

There are limits to what the human mind can stand. For Major *C... ..*, after years of bravery in Bomb Disposal, the limit comes each time he sees a clock. Every alarm clock is a bomb, each ticking watch a probable explosion. Soldiers, Sailors and Airmen all risk mental breakdown equally in war and in keeping the peace. There are bombs much nearer to us than Cyprus, Aden or Malaya.

We devote ourselves solely to the welfare of these brave men and women who have tried to give so much more than they could. We help them at home, and in hospital. We run our own Convalescent Home. For some, we provide work in a sheltered industry, so that they can live without charity. For others, there is our Veterans' Home. If we are to go on helping them, we must have funds. Please send a donation, please sign a covenant, please remember us with a legacy, perhaps. The need is really urgent, and the debt is owed by all of us.

"They've given more than they could—please give as much as you can."

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مكتبة الامم المتحدة



سكان من الأهل

# What caused Lord Kearnton's outburst

SOME DISQUIETING facts about the exploration drilling record of oil companies operating on the UK Continental Shelf have been passing across the desk of Mr. David Howell, the new Energy Secretary.

The offshore industry has been pressing Mr. Howell to issue further exploration licences—a message he seems to have taken on board—and yet according to reports sent to his department companies have not yet drilled on many of the blocks awarded to them in previous licence rounds.



Trevor Humphreys, Mr. Howell's Energy Secretary; BNOC's reports could make him feel uncomfortable.

The implied criticism may not detract from the industry's record of past achievement. After all, it has taken less than a decade to bring on stream 12 commercial oil fields; each one of the developments extending the frontiers of offshore oil technology. A further 11 fields are now in the development stage. And when energy consumption figures are published later this month it could well be confirmed that for June at least, Britain has at last become self-sufficient in oil.

But still the reports on drilling activity could make Mr. Howell feel uncomfortable during Parliament's summer recess as he ponders the conditions for the next, seventh round of offshore licences. He has already said that the industry will be given greater operating freedom and encouragement by the Conservative Government and that it will find itself less encumbered by an "over-extended" British National Oil Corporation.

Just how much influence BNOC will have in future offshore activities, and how it will be financed, have still to be clarified. But what has been said so far has been enough to provoke Lord Kearnton, the newly-elected chairman and chief executive of the Corporation, to make an extraordinary attack on the private oil sector.

Oil companies were sitting on unexplored blocks, preferring to

hold "acreage in the bank," he said. At the same time they were making the Corporation the butt of "outrageous lies" as an alibi for not increasing exploration and development work.

The industry reacted strongly to Lord Kearnton's outburst, made after the last monthly board meeting of the Corporation. It denied his allegations, although under the new terms outlined by Mr. Howell it did foresee the prospect of an upsurge in exploration activity.

It would be quite natural to regard Lord Kearnton's remarks as the venting of frustration. He has worked tirelessly to strengthen the Corporation's role in the industry; now he sees the Conservative Government dismantling much of what he has achieved. Furthermore, he has grown weary of the public sniping by some private oil companies.

But Lord Kearnton's attack on the industry's drilling record was no off-the-cuff rebuke, delivered in the heat of the moment. It was a dramatic summary of a study that has been conducted within the Corporation, the results of which have influenced a series of BNOC recommendations now with the Energy Department.

## 38% unexplored

In essence the study shows that of the 571 blocks and part blocks allocated in the first four rounds of licences and still held by offshore operating groups, on fewer than 142—or 38 per cent—have not yet been explored with even a single well.

Originally 563 blocks were allocated between 1964 and 1972 under the first four licence rounds. About 70 per cent of the acreage has been returned to the Government by the industry as being of very little value, or in the terms of the licences the industry was required to relinquish only 50 per cent of the area.

250 square kilometres. And it barely endorses the view that the North Sea is a mature province," he said.

There can be no argument that exploration drilling has declined. In 1975 there were 79 "wildcat" wells drilled in the UK sector; in 1976 there were 58, in 1977 there were 67 and last year there were just 38. The figure will remain low this year at present only three of the 13 rigs operating in UK waters are engaged in exploration work; the remainder are appraising previous discoveries or involved in development and maintenance programmes.

There is no doubt, of course, that exploration drilling is becoming a riskier business. For the past couple of years on average only one in ten exploration wells has been successful. Success rates of the early 1970s. What is more, the amount of oil found per successful well has fallen—from an average of over 50m barrels per well in the mid 1970s to nearer 25m barrels per well last year.

By and large, private industry has done a good job and is continuing to do a good job, particularly with field development projects. But it has put up a smokescreen in saying that it needs new blocks to stimulate new exploration. We have had to push a lot of companies into drilling anything at all."

Mr. Lovegrove, who was formerly North Sea oil analyst with stockbrokers Wood Knize, reports in his study that the companies still holding licences on blocks issued in the first four rounds have drilled on average of 1.21 wells per licensed block. "This is not an impressive performance when one bears in mind that the average size of a block is over

## Vital question

This evidence seems to confirm the industry's view (and the opinion of BNOC) that the best and most easily identified reservoirs have already been discovered. Moreover, the considerable improvements in seismic techniques in recent years have enabled companies to know more accurately what is below the seabed without the need for costly exploration wells. Typically the cost of North Sea drilling is \$40,000 to \$70,000 a day; one well can cost several million dollars.

That said, a question needs to be asked. Could—or should—the industry be doing more? The answer, according to BNOC, is yes. "The industry used to claim that 60 per cent of the oil lying in conventional depths

## SUMMARY OF DRILLING ACTIVITY ON BLOCKS ALLOCATED IN FIRST FOUR UK LICENCE ROUNDS

No. wells drilled	Net blocks licensed*	
	No. of blocks	As % of total
1 well	142	28
2 wells	205	56
3 wells	19	5
4-6 wells	4	1
7-12 wells	1	1
13-15 wells	1	1
<b>TOTAL</b>	<b>371</b>	<b>100</b>

\* Blocks still licensed, i.e., not relinquished.

Source: British National Oil Corporation

## DRILLING PERFORMANCE IN THE FIRST FOUR UK LICENCE ROUNDS

Net Blocks Licensed*	Operators			Total
	U.S.	UK	Others	
No. licensed	209 (58%)	128 (35%)	34 (9%)	371
No. drilled	134 (59%)	71 (31%)	24 (10%)	229
Wells per block licensed	1.29	1.09	1.15	1.21
Wells per block drilled	2.01	1.96	1.63	1.96

Note: Figures in parentheses are percentages of the total column.

\* Blocks still licensed, i.e., not relinquished.

Source: British National Oil Corporation

of water on the UK Continental Shelf would be found in the first four rounds of licensed blocks," said Mr. Lovegrove. "If they are saying that this undrilled 38 per cent of acreage is bad, then the prospects for finding more oil look to be very gloomy."

In fact, the industry is not saying that the undrilled blocks should be totally written off. Mr. George Williams, director general of the UK Offshore Operators' Association said there were quite possibly some "drillable prospects" in the licensed blocks. However, these were not considered to be economically attractive at present; there was a need for the Government to determine how it would encourage the development of any small oil fields found.

The Energy Department is currently considering ways of providing incentives to companies which want to exploit small fields. In the meantime, the industry's activity is concentrated on appraising and exploiting large fields. "It would be a waste of a well to drill for a prospect that appears to be below the threshold size of a visible field," Mr. Williams stated.

The industry, he said, had more than fulfilled its exploration obligations. "While companies may not have drilled on one block in a licence, they might well have completed four or five wells on another block to the same licence." He said he knew of no company which

had not fulfilled the drilling requirements as laid down in work programmes agreed between the government and companies when licences were awarded. "On the contrary I know of many that have done a lot more."

It appears, however, that this is not strictly the case. Another report submitted to the Government and given scant airing by the Energy Department claims that 38 obligatory wells, laid down in work programmes in the fourth licence round alone, have not been drilled.

The claim is made by Professor Peter Odell, director of Erasmus University's Economic Geography Institute in Rotterdam, who was asked by the Labour Government to report on the development of the UK Continental Shelf. In the recently submitted report Professor Odell argues that a failure to drill a well sometimes appeared to be accepted by the Government because "new geological evidence" showed that further exploration would not, according to the company, be worthwhile.

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Undoubtedly the risks are great. But, according to Mr. Lovegrove, the Government's conditions for North Sea exploration work are a "seventeen heaven" compared with some oil regions. "There are over 30 wells being drilled off Brazil and there are no guarantees that companies will even have to pay for the wells they find in the North Sea, companies can offset up to 81 per cent of the cost of exploration wells against tax on the production from previous finds.

"The UK is an unbelievably soft option for the companies."

With this in mind BNOC has recommended that licence conditions relating to drilling should be tightened. It also wants a more flexible system for allocating blocks; more of a continuous review rather than sporadic bouts of licensing.

In view of the Government's more muted support for BNOC it is questionable whether the recommendations will be fully endorsed by Mr. Howell. However, the Energy Secretary—having accepted the industry's pledge that it will step up the pace of exploration—will be watching drilling rig movements with more than passing interest during the coming months.

## Obligations

But if "disappointing new geological information" available to companies to withdraw from an obligation, positive additional geological information in respect of another block should give the Government the right to order a company to drill extra wells.

Prof. Odell goes further. A company, he says, should not be permitted to withdraw its drilling commitment without at least paying a penalty equal to the investment it had not made. Also it ought not to be allowed to retain any interest in any part of a licence for which the originally required work programme had not been fully completed.

"The British North Sea and the rest of the country's Con-

## Letters to the Editor

### True and fair

From Mr. R. Instone.

Sir—May I add one point to the admirable letter (August 1) from Mr. Ian Percy of Thornton Baker, in which he suggests an amendment to the Companies Act so as to allow small companies to opt out of full audit requirements and in favour of a less complex "true and fair" view?

It was a fundamental defect in the Accounting Standards Committee's discussion document "Setting accounting standards" that it proceeded upon the basis that the only statutory requirement as to accounts is that they should give a "true and fair view". In fact, however, the Acts impose on directors an obligation to ensure that accounts comply with the statutory requirements as to their form and contents, and on auditors to certify that they do so comply. These obligations are distinct from and additional to the "true and fair" requirement, and the Acts impose criminal sanctions on both directors and auditors in case of their breach.

The primary question which the ASC must sooner or later face is whether or not the Acts should continue to legislate for the form and contents of accounts at all. If not, then it would undoubtedly say "Yes" as would, I imagine, most accountants; the practical question is how to integrate statements of standard accounting practice within the framework of the law. Neither of these questions is so much as contained in the ASC's discussion document, because of its narrow focus.

My own preference is for a more frequent resort by the Department of Trade to its existing power of amending the Acts by statutory instrument, prompted no doubt by intelligence from the ASC, but after consultation with other interested parties. This process will be made for itself, however, by the ASC unless, until the ASC addresses itself to the right questions.

John Instone, 2, New Square, Lincoln's Inn, WC2.

### Businessmen are generally in favour of audits as they check accounts and ensure measure of shareholder's, and, often, most important, obviate arguments with the Inland Revenue. That is why they have shown such a lack of enthusiasm for the arguments about reviews and audits which various accountants have been putting forward for some time.

Colin Davis, Europe House, World Trade Centre, EC2.

### Interest and tax

From Mr. R. Waber.

Sir—Mr. Palamountain (August 2) argues comparable treatment for tax purposes of interest receivable and payable. He argues that as interest receivable is subject to tax so interest payable should be allowed. This is all very well when interest remains positive in its terms.

At present however, real interest rates are generally negative and our financial institutions thus operate to make a transfer of real resources from lenders to borrowers.

If comparability is to be applied in these circumstances it should surely be in the reverse direction. Rather than extending the allowability of interest payable interest receivable for example on savings in holding society accounts, should be taken out of the charge of tax.

R. J. Waber, 56, Gibson Square, NI.

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R. J. Waber, 56, Gibson Square, NI.

## The European Court

From Professor J. Mitchell.

Sir—It is no doubt rash to argue with so learned a correspondent as Mr. Hermann; yet one is tempted to temerity by his article "The case for a fundamental reform of the European Court," July 18.

Lord Scarman, if correctly reported, is also not quite accurate. The jurisdiction of England and Wales is not unrepresented. There is an Advocate General from that jurisdiction and he has the same rank and status as a Judge, and, as is evident from reading the reports, has as great a possibility as anyone of "feeding in" to the system significant and relevant parts of his own law. Nor is it correct to say that there is no possibility of seeking to answer the opinion of the Advocate General. Article 41 of the rules of procedure specifically provides a possibility of reopening the oral procedure. There are, though, good practical reasons why this Article should not be widely used. Leaving on one side a doubtful interpretation of Article 177 (EEC), Article 39 of the statute of the Court, when read with the related Article 37 (1) (e) of the rules of procedure does not, happily, allow a member state to reopen a case whenever it wishes. They have had the chance of intervention. Indeed member states are privileged. References under Article 177 are not fed to them precisely so that they can sub-

## Today's Events

- GENERAL**  
 UK: Engineering unions begin first of series of one-day optional strikes over pay.  
 Confederation of Shipbuilding and Engineering Unions meeting.  
 British Shipbuilders to discuss corporation's plans for yard closures.  
 Overseas: The Commonwealth Heads of Government Conference continues in Lusaka.  
 Senor Adolfo Suarez, Prime Minister of Spain, and Marcelino Oreja, Foreign Minister, begin two-day visit to Brasilia for discussions on politics and trade.  
 Bolivia Congress meets to elect president.  
 King Olaf of Norway continues visit to Isle of Man.  
 Sir Kenneth Cork, Lord Mayor of London, in Bangkok.  
**OFFICIAL STATISTICS**  
 Wholesale price index (July provisional).  
 Building Societies' house prices and mortgage statistics (second quarter).  
 Hire purchase and other instalment credit business (June). Retail sales (June final).  
**COMPANY RESULTS**  
 Final dividends: Anglo-American Asphalt Company, County and District Properties, Ellis and Everard, Howard Shuterlog (Holdings).  
**COMPANY MEETINGS**  
 See Week's Financial Diary on page 22.  
**SPORT**  
 Cricket: Cornhill Insurance Second Test, fourth day. England vs India. Lord's, Yachting: Cowes Week—Duke of Edinburgh attending in Edinburg. World Cup: Championship. Tennis: Davis Cup Services Championships, Wimbledon. Bowls: Women's National Championships, Letchworth Spa. **CLUBS**  
 LONDON LUNCHEON TIME MUSIC  
 St. Lawrence Jewry next Guildhall, Gresham Street, EC2.  
 Piano recital by Geoffrey Sobu of works by Chopin and Matthews. 1pm.  
 St. Michael Cornhill, EC3. Organ recital by Ian Richards, 1 pm.

### Reviews and audits

From the Chairman, Policy Committee, The Association of Independent Businesses.

Sir—Mr. Ian Percy (August 1) states that his main concern is not with the interests of the auditors. The crux of his argument, however, seems to be that because formal standards are applied with increasing rigour auditors are unable to give honest—the traditional "true and fair"—opinion in respect of the accounts of many smaller companies. This is a matter which accountants must sort out among themselves.

I should just like to point out there is no correlation between a company's being precluded from applying adequate internal control or its being an "un-auditable cash business" and its falling within some arbitrary definition by turnover, assets, or number of employees. Such definitions, advocated by Mr. Percy, evade the real problem.

### Allowable rent

From the Managing Director, City of London Building Society.

Sir—I was so glad to see Mr. Palamountain's letter (August 2) supporting the excellent letter from Mr. Campbell. It is high time that this question of allowable interest on interest on borrowers' money was put in its proper perspective and a true statement of the real fact was made. I share Mr. Campbell's view on tax deductibility for rent. It does not breach any basic principle within the tax code and in some overseas countries rent is allowable as a deductible expense.

A. G. C. Trollope, 34, London Wall, EC2.

### Interest in Ferranti

From Mr. R. Nicholson.

Sir—Come come Mr. Rooney. Before committing yourself to print (July 24) as a reasonable trades union official, let us read at least one fact, just one, supporting your opinions before you state: "involvement with Rael etc. is anathema to us." Who is "us"? These facts may interest you.

What are you frightened of Mr. Rooney? A "continual decline in the numbers employed

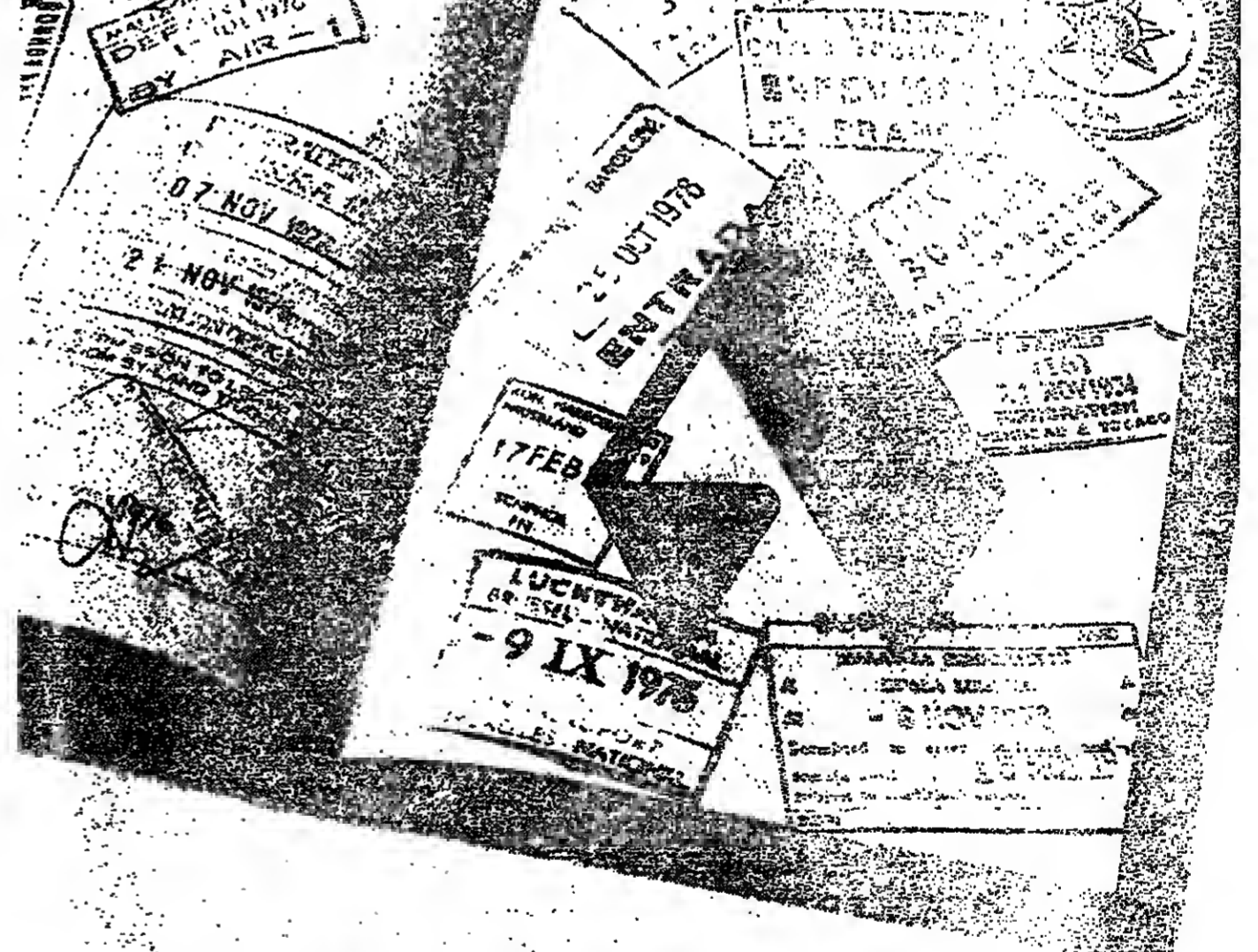
### Public sector borrowing

From Mr. E. Chalmers.

Sir—The City is not prepared to be weaned away from the £3bn public sector borrowing requirement limit (Lombard, August 1). Nor is it going to be distracted by any statistical sleight of hand expressing the PSBR as a percentage of gross national product, rather than as an absolute amount. The latest piece of permissiveness in this area is to argue that a higher PSBR can be tolerated if it is the result of a recessionary shortfall in revenue and expansion of welfare payments. The consequent larger volume of gifts that would have to be sold would not necessarily be any more easily absorbed by the capital market because the level of unemployment was higher.

The Government is making an admirable effort to get down the level of public expenditure. There is a danger however that this resolve might be weakened by too much theorising on how the PSBR is not really as big as it seems. The City is quite prepared to be weaned away from an £3bn PSBR—in a downwards direction.

Eric Chalmers, 14 Avenue Road, Cornhill, NI.



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COMPANY NEWS

Baillie, Gifford repays \$39m foreign borrowing

THREE INVESTMENT trusts managed by Baillie, Gifford and Co., the Scottish investment managers, have repaid \$39m of dollar borrowings.

The loans would have had to be made at the investment currency premium rate or with the proceeds of sale of the foreign securities being financed.

It has also kept on \$8.2m of borrowings which are eligible because they were made less than a year before July 18.

Moscow Narodny looking to raise paid-up capital by £5m

BY JAMES BARTHOLOMEW

Moscow Narodny Bank, the Russian bank registered in London which made huge losses in Singapore in the early 1970s, raised £2m from its shareholders in 1978 and wants to increase its paid-up capital by another £3m this year.

whole lending exercise had been politically motivated. Some customers claimed that their loans had been called in unreasonably and a series of lawsuits were started all over the world.

money are the Russian state banks. In May, 1978 the State Bank of the USSR had 7.3m shares and the Bank for Foreign Trade of the USSR had 6.5m shares out of a total of 40m.

BOARD MEETINGS

Table listing board meetings for various companies including Anglo-American Asphalt, Country and District Properties, and others, with dates and locations.

Wilson Walton to break even

Unaudited management accounts of Wilson Walton Engineering indicate a break-even position for 1978, Mr. A. J. Wilson, the chairman, tells shareholders.

FT Share Information

The following securities have been added to the Share Information service appearing in the Financial Times: B and Q (Retail) (Section: Drapery and Stores); Bank and Commercial (Property); Intel Corporation (Overseas - New York); Malaysian Plantations, Berhad (Rubbers); National Semiconductor Corp. (Overseas - New York); North British Canadian Inv. Trust (Investment Trusts); Pilecom (Electricals); Relm Corporation (Overseas - New York); Toobeyes (Overseas - Australia).

UK NEWS

Controversial plan out soon for lease accounts

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

ACCOUNTANTS SEEM set to go ahead shortly with controversial proposals on treating leases in company accounts. Leasing is considered to be the UK's fastest growing form of finance.

The profession's Accounting Standards Committee has recently circulated a draft paper that firmly supports capitalisation of leased assets in lessee company accounts.

On lessee accounting, it suggests that leases that are equivalent to the purchase of an asset (finance leases) should be capitalised in financial statements; and that future lease rentals that extend for more than a year beyond the balance sheet date should be disclosed separately for each of the next five years, and in one sum thereafter.

Company practices vary but most are thought to disclose little about leasing obligations. Banks and finance houses, the main lessors, oppose capitalisation of leased assets in lessee accounts. They fear that that would encourage the Inland Revenue to press for capital allowances attributable to

leased assets to go to the finance company rather than the user of the asset. Their opposition is thought to be the main factor behind the committee's reluctance hitherto to publish its proposals.

On lessor accounting, it suggests that finance leases should be accounted for as if they were equivalent to a loan of money; that the finance charge should be allocated over the period of the lease to give a constant rate of return on funds employed; that where the lease is financed by cash flows, funds employed should be taken to be cash invested; and that rentals receivable in the next accounting period should be shown as current assets, with the balance as long-term assets.

Investment aids may be needed

BY MICHAEL LAFFERTY,

THE PRESENT system of investment incentives may have increased investment in the financial sector of the economy at the expense of the manufacturing sector because of the use of leasing.

Members of the Equipment Leasing Association was £421m; by last year the figure was £1.2bn. Franks and Hodges continue: "With so much demand for leasing, lessors have been able to write leases which are only marginally cheaper than debt to the lessee. Leasing has been a seller's market."

whether the current system of taxable allowances, on which most UK leasing is based, is an effective one for encouraging investment, especially when large parts of manufacturing may not be paying mainstream corporation tax.

This is suggested by Mr. J. R. Franks and Mr. S. D. Hodges of the London Business School in the latest issue of the National Westminster Bank quarterly review.

The authors believe that, in the past, lessees have felt unable to design leases that would obtain the greater part of the potential tax advantages for the user of the assets. Further, the period from 1976 to 1978 has seen the demand for leasing grow so rapidly that a major proportion of the tax benefits have accrued to lessors rather than to the users of the assets.

As a consequence, companies may be severely hampered in their ability to obtain all the benefits of the tax incentives. This position may be unwelcome not only because the investment incentive scheme will prove ineffective, but because some companies may be at a competitive disadvantage purely as a result of their different tax positions.

Charities criticised over accounts submission

BY LISA WOOD

A NUMBER of charities have been criticised for failing to submit regular accounts to the Charity Commissioners in a report in the National Westminster quarterly review.

The report is based on a survey of a sample of charities' accounts in 1975. It also says that the information available to the public through the Central Register of Charities is "considerably less than the law suggests."

The authors stress the importance of the need for more comprehensive information in the register because of charities' privileged legal and financial status—such as their exemption from most taxes. Charities, they said, had no body of owners or shareholders, and it was vital that information was readily available to the Commissioners and the public.

Sir Keith to visit successful Scots companies

BY LISA WOOD

SIR KEITH JOSEPH will this week make his second visit to Scotland since taking over as Industry Secretary. His first trip concentrated on areas and industries in decline. On Thursday and Friday he will see successful companies involved in advanced work.

The include the National Engineering Laboratory at East Kilbride; Brown Brothers, the Vickers subsidiary which has pioneered development of ships' stabilisers; and the Wolfson Institute, Edinburgh, which specialises in micro-processor applications.

U.S. \$40,000,000 Trade Development Financial Services N.V. (Incorporated with limited liability in the Netherlands Antilles) Guaranteed Floating Rate Notes Due 1986 Unconditionally guaranteed by Trade Development Bank Holding S.A. (Incorporated as a Société Anonyme in Luxembourg)

City of Copenhagen \$15,000,000 9 per cent. 15 Year External Loan of 1970

Sir Keith to visit successful Scots companies

BONDS DRAWN 350 Bonds of nominal value of \$1,000 each. Table with columns for bond numbers and values.

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LOCAL AUTHORITY BOND TABLE. Authority Annual Interest gross pay- Minimum of Life interest able sum bond.

BRASILVEST S.A. SOCIEDADE DE INVESTIMENTO DL NO 1401 NOTICE OF EXTRAORDINARY MEETING OF SHAREHOLDERS. NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Shareholders of the company will be held at the company's offices at Rua Direita, 250, Sao Paulo, Brazil at 10.00 a.m. on Friday, 10th August 1979.

U.S. \$40,000,000 Trade Development Financial Services N.V. (Incorporated with limited liability in the Netherlands Antilles) Guaranteed Floating Rate Notes Due 1986 Unconditionally guaranteed by Trade Development Bank Holding S.A. (Incorporated as a Société Anonyme in Luxembourg) The following have agreed to subscribe or procure subscribers for the Notes: Credit Suisse First Boston Limited, Manufacturers Hanover Limited, N. M. Rothschild & Sons Limited, Amsterdam-Rotterdam Bank N.V., Banque Nationale de Paris, Kredietbank S.A. Luxembourgeoise, Merrill Lynch International & Co., Morgan Stanley International Limited, Nippon European Bank S.A., Orion Bank Limited, Salomon Brothers International, Westdeutsche Landesbank Girozentrale.

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD. 45 Cornhill, London EC3V 3PB. Tel. 01-623 6314. Index Golds as at August 2, 1979. Capital Fixed Interest Portfolio 117.16. Income Fixed Interest Portfolio 103.00.

LOCAL AUTHORITY BOND TABLE. Authority Annual Interest gross pay- Minimum of Life interest able sum bond. Knowlesy (051 548 6555) 12 1/2-year 1,000 5-7. Redbridge (01-478 3020) 11 1/2-year 200 4-5. Redbridge (01-478 30201) 12 1/2-year 200 6-7.

U.S. \$10,000,000 Floating Rate U.S. Dollar Negotiable Certificates of Deposit, due 9th August, 1984 (Retractable to 9th August, 1982). THE SAITAMA BANK, LTD. LONDON. Merrill Lynch International Bank Limited Agent Bank.

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INTERNATIONAL COMPANIES and FINANCE

PENDING DIVS.

RECENT ISSUES

Kaiser Steel returns to profit at halfway stage

BY OUR FINANCIAL STAFF
KAISER STEEL, the ninth largest U.S. steel producer, remained in loss in the second quarter, although like the rest of the industry it chartered a recovery path.

Setback in net income at Grumman

BY OUR FINANCIAL STAFF
A SETBACK in earnings in the second quarter was announced by Grumman Corporation, the leading supplier of military aircraft for the U.S. Navy.

No profit this year from SIA

SINGAPORE - Profits from Singapore Airlines for the fiscal year ending March 1980, will be wiped out by higher fuel costs, mounting to Singapore \$414m, or 25 per cent from the previous year.

Turning point for Koor steel plant

By L. Daniel in Tel Aviv
THE Israeli steel plant at Azor, part of the 100 plant Koor industrial combine, controlled by the Israeli Labour Federation, finally turned the corner in 1978.

Intel predicts higher loss

SAN FRANCISCO - Intel Corporation, the computer and microprocessor maker, said that although sales for the second quarter are not yet final, it estimates that the after-tax loss for the period will be about \$30m.

Federal Cables in the black

BY WONG SIKONG IN KUALA LUMPUR
AFTER THREE consecutive years of losses, Federal Cables, the Malaysian-Japanese Japanese joint venture, has reported a sharp improvement in its results for the period ending March 1979.

Table with columns: Date, Announcement, Last year, 1979, Stock, High, Low, Change.

Table with columns: Issue Price, Date, 1979, Stock, High, Low, Change.

Table with columns: Issue Price, Date, 1979, Stock, High, Low, Change.

Table with columns: Issue Price, Date, 1979, Stock, High, Low, Change.

Swiss funds to maintain dividend rates

By John Wicks in Zurich
THREE INVESTMENT funds affiliated to Union Bank of Switzerland are all to pay unchanged dividends for the business year ended June 30.

Table with columns: Name, Dividend, Rate.

BASE LENDING RATES

Table with columns: Name, Rate, Date.

CURRENCIES, MONEY and GOLD

Sterling back to reality

BY COLIN MILLHAM
THE FEELING that sterling had been too far too fast, was borne out last week when heavy selling developed on Tuesday and the pound came down to earth with a thump.

Gold Bullion (fine ounce)

Table with columns: Date, Price, Change.

CURRENCY RATES

Table with columns: Currency, Rate, Date.

OTHER MARKETS

Table with columns: Market, Rate, Date.

THE DOLLAR SPOT AND FORWARD

Table with columns: Term, Rate, Date.

THE POUND SPOT AND FORWARD

Table with columns: Term, Rate, Date.

EXCHANGE CROSS RATES

Table with columns: Currency, Rate, Date.

MONEY RATES

Table with columns: Term, Rate, Date.

LONDON MONEY RATES

Table with columns: Term, Rate, Date.

Advertisement for Genossenschaftliche Zentralbank Aktiengesellschaft, Vienna, featuring a logo and text about floating rate notes and various bank services.

INSURANCE

Legal dilemma in an international contract

BY OUR INSURANCE CORRESPONDENT

THIS IS the time of the year when the pace and clamour in most of Europe's capitals and commercial centres diminish...

For British lawyers and insurers grappling with the evolving complexities of EEC harmonisation, compulsory re-issuance of policies is a less than ideal solution...

Several years have elapsed since that directive was first mooted and probably three more will pass before the final and undoubtedly more contentious version is produced...

Perhaps the simplest illustration is provided by the question facing the British owner of a French holiday home who buys insurance here in London...

Our court's firmly English law, provided that which is clearly expressed...

APPOINTMENTS

Harveys of Bristol group executives

Mr. James Ferguson, managing director of John Harvey and Sons (España) Jerez de la Frontera, and Dr. Antonio Felipe...

Mr. M. J. Hudson has joined CHARLES WADE AND CO. as joint managing director. He was previously commercial manager, BSC Platos, British Steel Corporation.

Mr. Geoffrey Bell, formerly deputy managing director of Irap Overseas Investment Bank, London, has been appointed general manager of the EUROPEAN AMERICAN BANKING CORPORATION's new branch in Luxembourg.

Mr. F. J. Radford has been appointed group financial controller and Mr. S. Ball, treasurer, of UNITED DOMINIANS TRUST.

Mr. M. I. R. Dickson has been appointed managing director of ROXBURGH HENDERSON, the forwarding and travel agency at Glasgow of OCEAN TRANSPORT AND TRADING.

Mr. Claude Boda has been appointed chairman of BANCO DE MADRID and of its industrial branch, BANCO CATALAN DE DESARROLLO.

JOHN MENZIES (HOLDINGS) has rearranged its divisional management structure. The wholesale division comprises: Mr. T. P. Callaghan—managing director; Mr. D. J. Mackay—operations director; Mr. A. D. Brown—financial controller.

The SCIENCE RESEARCH COUNCIL states that Professor John Houghton, Professor of Atmospheric Physics, Oxford University, will take up his

WORLD STOCK MARKETS

Indices

NEW YORK—DOW JONES

Table with columns for Aug 5, 4, 3, 2, 1, 1979, and 1978. Rows include Industrial, Utilities, and Total. Values range from 100 to 1000.

EUROPE

Table with columns for AMSTERDAM, BRUSSELS/LUXEMBOURG, SPAIN, COPENHAGEN, VIENNA, GERMANY. Rows include various stock indices and prices.

Rises and Falls

MONTREAL

Table with columns for Aug 5, 4, 3, 2, 1, 1979, and 1978. Rows include Industrial Composite, Toronto Composite, and various stock indices.

FRIDAY'S ACTIVE STOCKS

Table with columns for Stock Name, Price, and Change. Rows include various international stocks like AEG, Allianz, and Anglo American.

WALL STREET

Table with columns for High, Low, Stock, and Aug 5, 4, 3, 2, 1, 1979. Rows include various US stocks like IBM, AT&T, and General Electric.

TEL AVIV

Table with columns for Company, Price, and Change. Rows include various Israeli stocks like Bank Leumi and Bank Hapoalim.

CANADA

Table with columns for High, Low, Stock, and Aug 5, 4, 3, 2, 1, 1979. Rows include various Canadian stocks like Alcan and Inco.

HONG KONG

Table with columns for Stock Name, Price, and Change. Rows include various Hong Kong stocks like HSBC and Citibank.

SWITZERLAND

Table with columns for Stock Name, Price, and Change. Rows include various Swiss stocks like Nestle and Roche.

AUSTRALIA

Table with columns for Stock Name, Price, and Change. Rows include various Australian stocks like BHP and Rio Tinto.

MILAN

Table with columns for Stock Name, Price, and Change. Rows include various Italian stocks like Eni and Fiat.

OSLO

Table with columns for Stock Name, Price, and Change. Rows include various Norwegian stocks like Statoil and Aker.

PARIS

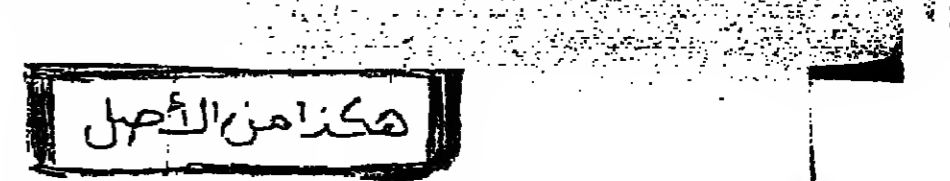
Table with columns for Stock Name, Price, and Change. Rows include various French stocks like Air France and Bouygues.

JOHANNESBURG

Table with columns for Stock Name, Price, and Change. Rows include various South African stocks like Anglo American and De Beers.

INDUSTRIALS

Table with columns for Stock Name, Price, and Change. Rows include various industrial stocks like AEG and Allianz.



Companies and Markets

INTERNATIONAL CAPITAL MARKETS

BY FRANCIS GHILÈS

D-Mark remains in the limelight

A STRONG SURGE in demand for Deutsche-Mark and gulder-denominated paper characterized the Eurobond markets last week...

domestic bonds to satisfy investor demand, much of which was coming from abroad. The 7.21 per cent yield offered on the eight-year DM 200m private placement for the World Bank...

New York bond market did not get going on this side of the Atlantic. Issues which started trading last week performed badly...

CURRENT INTERNATIONAL BOND ISSUES

Table with columns: Borrowers, Amount m, Maturity, Av. life Years, Coupon %, Price, Lead Manager, Offer yield %.

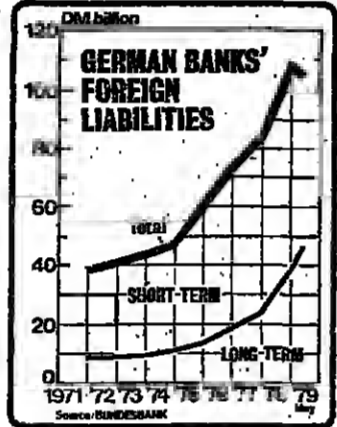
GERMAN BANKS

BY DAVID MARSH

Cultivating the schuldschein note

OVER THE last nine to one-and-a-half years, West German banks have emerged as substantial borrowers of long-term funds on the international capital markets...

statistics on Schuldscheine, and the exact identity of the investors operating in the market is shrouded in mystery. But it is known that large amounts of these notes have been bought...



U.S. BONDS BY DAVID LASCELLES

Market makes up its mind

THE U.S. BOND market in the past few days has cast off whatever lingering doubts it had that the U.S. is heading for a recession...

Volcker, grows concerned about the money supply or the dollar. Uncertainties about the ailing condition of Chrysler, the large motor dealer with huge debts in the money markets...

FT INTERNATIONAL BOND SERVICE

Large table listing various international bond issues with columns for U.S. DOLLAR STRAIGHTS, OTHER STRAIGHTS, CONVERTIBLE, and various bond details.

NEW ISSUE These securities having been sold, this announcement appears as a matter of record only. JULY 1979

Advertisement for U.S. \$50,000,000 Argentine Republic 9 3/4% Bonds Due 1984, listing various financial institutions and agents.

# Foreigners call the tune

BY MARTIN TAYLOR

WHEN EXCHANGE controls on the purchase of EC securities were relaxed a fortnight ago it was almost universally agreed that Germany had the most attractive stockmarket on the Continent. British fund managers might not choose to wait a little before committing themselves—sterling, after all, was rising by a cent or so a day—but the German market looked, at least to the London stockbrokers who were advising them, as if that was the place to be. Unanimity is suspicious, and British investors have done more cautious sniffing around than hiving in the past couple of weeks. Those that have bought have not done badly—German equities have been agreeably firm.

The German banks are delighted at the prospect of doing business with British residents, but they are finding it hard to get enthusiastic about their own market at the moment. The present buying, much of it from abroad, seems to be taking place rather against the banks' advice; professional German traders are buying here and there in the wake of the foreigners, but they are very circumspect.

Their worries concern the state of the German economy, which the market, for the moment at least, is resolutely ignoring. Growth forecasts are being trimmed steadily back—the expectations for 1980 growth are now nearer 3 per cent than the previously accepted 4 1/2 per cent—and speeding on manufactured consumer goods is suffering as the Germans concentrate their spending power on the indispensables, motoring and holidays.

This winter the price of heating oil will be up sharply and that, too, will absorb a large chunk of disposable income, which is unpromising for the important department store sector. Although the worst of the inflationary push seems to be over, the year-on-year inflation rate will go on rising for a few months yet, if only because monthly retail price changes in the autumn of last year were very small. This is likely to increase expectations at the wage-bargaining table. Earlier forecasts that German corporate profits might grow by up to 15 per cent this year now look over-optimistic.

But over the last year or so the market has been increasingly dominated by external financial flows. Funds have been coming into marks out of the dollar, which is nothing new in itself, but now the short-term currency traders have been joined by American pension funds and Middle East

## GERMAN STOCKS

Market capitalisation of German equities DM 145bn  
Nominal value of domestic bonds DM 490bn  
Nominal value of foreign bonds DM 65bn

**TURNOVER**  
Around 95 per cent of equity trading passes through the stock exchange, but only about 10 per cent of bond trading. No precise turnover figure is published, but the Frankfurt Stock Exchange, accounting for a little under half of German stockmarket activity, turned over DM 15.8bn of equity transactions and DM 24.6bn of bonds in 1978. This year so far turnover has been somewhat lower.

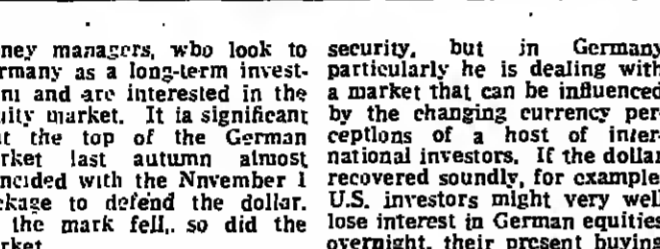
**DEALING**  
On the German markets dealing is channelled through the Banks. The Banks' dealers transact their orders through a Makler or broker—either a Kursmakler (official) or an unofficial freie Makler. The official brokers fix prices by matching supply and demand from customers, but do not hold positions of their own. An unofficial broker has his own hook of stock with which he trades to balance the market at the margin.

**COMMISSION**  
The Makler receives on equities 0.1 per cent, on bonds from 0.075 to 0.075 per cent according to size. There is also a turnover tax, 0.25 per cent on equities and 0.1 per cent on public sector bonds. Banks charge a 1 per cent commission on equities, 0.5 per cent on bonds.

**MARKET VALUATION OF LEADING STOCKS**

	Price	p/e*	yield†
Volkswagen	212	3.4	4.2
Siemens	262	7.4	3.1
Deutsche Bank	281	10.6	3.2
Mannesmann	162	9	3.4
BASF	139	12*	4.3*

\* p/e for 1978  
† Yield excludes tax credit  
‡ For BASF the prospective p/e and yield are around 7 and 5 per cent



money managers, who look to Germany as a long-term investment and are interested in the equity market. It is significant that the top of the German market last autumn almost coincided with the November 1 package to defend the dollar. As the mark fell, so did the market.

This implies that the German equity market is not particularly worried about the effect of a steady mark revaluation on the competitiveness of the German corporate sector. A sudden 5 per cent movement can be worrying, but experience has shown time and again that the rising mark does not pose insoluble problems—after all, German exporters, unlike the Japanese, are not chiefly engaged in selling volume goods that are extremely sensitive to price movements.

Clearly a British investor must assess his own currency risk before buying a foreign

deal—at present equities probably account for under 10 per cent of their investments. If the foreign interest drags the German institutions off the sidelines, the market could rise very rapidly.

This is all very well, but the Bundesbank has been keeping money so tight that funds are tempted to stay in the short term money market, where they can earn over 6 per cent. Money will stay tight through early August as heavy repurchases arranged with the Bundesbank fall due, and no one is in any doubt about the authorities' determination to keep the brakes on until they are satisfied that inflationary pressures have died down.

The long bond market has been very strong recently, there was enormous demand for the latest 8 per cent 10-year Federal loan, and the next issue may have a 7 1/2 per cent coupon, if a slightly shorter life. It is quite possible that money market rates will be driven above the long bond rate for a while later this year. The Federal budget deficit is nearly four-fifths covered, so the supply of new paper should be relatively small between now and the year-end, but the secondary bond market in Germany is still tightly controlled by the Bundesbank, which sells out of its own portfolio—around DM 200m on a typical day last week—to limit the market's advance.

So much for liquidity. Fantasy is rather less tangible, and manifests itself in different ways: sometimes it looks like participation. For example, U.S. investors, particularly private buyers of German equities as soon as the British exchange controls were relaxed, presumably on the principle that demand from London would soon drive the market up. In other cases it has been overdone—earlier this year the market was gripped with China euphoria: China was a bottomless source of orders for German heavy engineering companies, or so it seemed at the time.

The recent bout of interest in German shares has done little rounds of the different sectors, pushing one up 5 per cent or so and then turning elsewhere. The underlying theme, though, has been energy, which in Germany is particularly prominent nuclear energy, an extremely hot political question that the market now considers is more or less settled. So there has been interest in Veba, the principal oil stock, and RWE, the North German electrical supplier, which should benefit from higher private tax credits, as well as steady demand for the stocks with nuclear con-



nections such as Siemens and Deutsche Babcock, even if Siemens' exposure to Iran on the nuclear side has been something of an embarrassment. Engineers such as KHD, GHM and Linde have benefited from the feeling that specialist plant will be required by the energy industry worldwide even in an international recession.

The Bank shares have also been back in fashion again: the limit to the write-offs the banks will have to make against their bond portfolios. The sectors that have been out of fashion are the consumer goods manufacturers, the retailers, the car makers—although Volkswagen, which has large holdings of cash and a model range that is well-suited to an expansion, is something of an exception—and the building industry, the principal victim of the Bundesbank's credit squeeze.

The luxury car makers, Daimler-Benz and BMW, may be less vulnerable than they appear: their order-books stretch out a year ahead. And any British investor who wants to buy Daimler-Benz should make sure that Mercedes, the holding company for the Daimler shares floated off by Deutsche Bank three years ago, is not a cheaper way in (it often is). Chemicals are chiefly interesting for their yield to domestic investors, but the profits peak of the present cycle may now be past.

Unless the foreign interest in German stocks is maintained, it would not be surprising to see the present rally peter out quite soon. In mark terms German equities may perhaps be cheaper in a few months time, but a long-term investor cannot afford to hold off, even if the sterling value of his German portfolio may be subject to alarming swings at first. There is a strong argument for getting some exposure—defensive exposure, to energy stocks, but with a long-term horizon. If only in order to have some Deutsche Mark assets for a rainy day.

## BUSINESSMAN'S DIARY

### UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	British Furniture Manufacturers Exhibition (01-734 0851) (until Aug. 8)	Manchester
Aug. 17-19	Custom Car Show (08833 4371)	Bristol Exbn. Centre
Aug. 19-23	International Craft and Hobby Fair (04252 72711)	Wembley Conference Centre
Aug. 21-23	Education and Communication Technology Exhibition (01-722 4139)	Holland Park School
Aug. 25-Sept. 1	International Motor Cycle Show (01-741 2156)	Earls Court
Sept. 2-6	Giftware and Fashion Accessories Trade Fair (Tunbridge Wells 36685)	Bristol Exbn. Centre
Sept. 3-7	International Music Publishing and Recording Industry Show—INTERPOP (01-486 0068)	Connaught Rooms, London
Sept. 3-7	Offshore Europe Exhibition and Conference (01-549 5831)	Aberdeen
Sept. 4-6	Point-of-Sale Exhibition (01-340 3291)	West Centre Hotel, London
Sept. 4-7	International Carpet Fair (021-705 6707)	Harrogate
Sept. 4-7	International Carpet and Textile Show—REPRO. WORKSHOP (01-647 1001)	Wembley Conference Centre
Sept. 11-13	Electronics Show (08833 4371)	Bristol Exbn. Centre
Sept. 16-19	MAB 79—International Menswear Fair (01-839 5041)	Earls Court
Sept. 17-20	Flitech/Duster 79—2nd World Filtration Exhibition (01-236 0911)	Olympia
Sept. 18-31	Firetech 79 International Fire Protection and Control Exhibition (01-637 2400)	Brighton Exbn. Centre
Sept. 24-26	Weightech 79 (01-686 5741)	Metropole Ex. Centre Brighton

### OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Aug. 7-11	Horse Show (Dublin 680648)	Dublin
Aug. 8-10	Computer Exhibition (01-830 7956)	Hong Kong
Aug. 11-19	Austrian Timber Fair (01-584 6935)	Klagenfurt
Aug. 13-16	National Hardware Show	Chicago
Aug. 13-17	ENVIRO 79—The International Environmental and Engineering Exhibition	Singapore
Aug. 17-26	International Trade Fair (01-486 1861)	Malmö
Aug. 20-Sept. 20	International Fair	Izmir
Aug. 20-24	International Packaging and Food Processing Exhibition—PAKPROCESS (01-486 1861)	Johannesburg
Aug. 24-Sept. 2	International Radio and TV Exbn. (01-540 1103)	Berlin
Aug. 26-27	Zuspa: International Shoe Samples Fair	Frankfurt
Aug. 26-29	International Fair (01-734 0843)	Johannesburg
Aug. 28-29	International Fair (01-734 0843)	Frankfurt
Aug. 27-30	Pharmaceutical and Chemist Supplies Exhibition (01-486 1861)	Utrecht
Aug. 28-31	Electrical and Electronics Components Exhibition	Gothenburg
Aug. 29-Sept. 12	Timber and Woodworking Industry Exhibition	Moscow
Aug. 31-Sept. 9	International Fair of Consumer Goods (01-574 6034)	Stockholm
Sept. 2-9	International Autumn Fair (01-493 3111)	Leipzig
Sept. 3-10	International Fair of Algiers	Plovdiv
Sept. 8-11	Technical Trade Expo (01-242 4784)	Algiers
Sept. 8-11	International Leather Week (01-634 3964)	Cairo
Sept. 9-16	International Autumn Fair (01-584 6935)	Paris
Sept. 9-28	International Fair	Vienna
Sept. 12-20	International Engineering Fair (01-278 0281)	Ghent
Sept. 13-16	International DIY Trade Fair (01-236 0911)	Bruno
		Essen

### BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Current	Compover, Basic Trainee Programming Course (Cannock 2511) (until Aug. 17)	Cannock, Staffs.
Aug. 16-17	Brunei Management Programme: Personal Effectiveness Development Workshop (0836 56461)	Brunei University
Aug. 27-Sept. 2	Orb Foundation: Trade and Technology in Orbit (01-599 4968)	Wembley Conference Centre
Sept. 3-7	Brunei Management Prog.: Production Management and Human Behaviour (Uxbridge 56461)	Brunei University
Sept. 6-7	MSS. Management Skills for Women (Lincoln 335291)	Lincoln
Sept. 10-12	EMS: The Japanese Approach to Product Quality Management (High Wycombe 33171)	Institute of Directors, Pall Mall
Sept. 11-12	Freight Information Services: Practical Marketing for Road Haulier (Southport 38515)	Southport
Sept. 11-12	ASUAC: International Chromometry Congress (01-387 0116)	Geneva
Sept. 12-13	Financial Times: Korea in the 1980s (01-236 4382)	Sedra
Sept. 12-15	International Newspaper Promotion Association: 9th European Conference	Mnlich
Sept. 13-14	Society of Chemical Industry: Marine Corrosion on Offshore Structures	University of Aberdeen
Sept. 14	CILA: Educational Conference (01-240 1496)	
Sept. 14-15	MSS Computer and Business Consultancy: Effective Budgeting and Financial Planning (Working 24755)	Royal Lancaster Hotel, W2 London
Sept. 15-21	Brunei Management: Experimental Methods in Management Training (Uxbridge 56461)	Brunei University
Sept. 17-21	Lansac Job Evaluation (01-825 2333)	Buckingham Gate, SW1
Sept. 18	The City of Westminster Chamber of Commerce: Security and Survival in an Age of Violence (01-734 2831)	H.M.S. Belfast
Sept. 18-21	University of Bradford Management Centre: Financial Control of R and D (Bradford 42299)	Heaton Mount, Bradford

## WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagement during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or final. The sub-divisions shown below are based mainly on last year's timetable.

**TODAY**

Flint's (Luton) Hefe Ord. & N.V. Ord.  
Flint's (Luton) Hefe Ord. & N.V. Ord.  
Flint's (Luton) Hefe Ord. & N.V. Ord.  
Flint's (Luton) Hefe Ord. & N.V. Ord.

**BOARD MEETINGS**

Amalgamated Amalgamated  
Amalgamated Amalgamated  
Amalgamated Amalgamated  
Amalgamated Amalgamated

**INTEREST PAYMENTS**

Amalgamated Amalgamated  
Amalgamated Amalgamated  
Amalgamated Amalgamated  
Amalgamated Amalgamated

**COMPANY MEETINGS**

Amalgamated Amalgamated  
Amalgamated Amalgamated  
Amalgamated Amalgamated  
Amalgamated Amalgamated

**TOMORROW**

Amalgamated Amalgamated  
Amalgamated Amalgamated  
Amalgamated Amalgamated  
Amalgamated Amalgamated

This advertisement is for information only and to comply with the Regulations of the Council of the Stock Exchange.

## LONRHO LIMITED

(Incorporated in England under the Companies (Consolidation) Act, 1908)

Issues of:

**£2,483,764 9 per cent. Second Mortgage Debenture Stock 1987/92**  
**£810,000 12 1/2 per cent. Second Mortgage Debenture Stock 1985/90**  
**£1,766,940 12 1/2 per cent. Second Mortgage Debenture Stock 1980/83**

The above-mentioned Debenture Stocks of Lonrho Limited have been admitted to the Official List by the Council of the Stock Exchange.

Full particulars of such Debenture Stocks of Lonrho Limited are available in the Extel Statistical Services and may be obtained during usual business hours up to and including 20 August 1979 from—

**Keyser Ullmann Limited,**  
25 Milk Street,  
London, EC2V 8JE

**Joseph Sebag & Co.,**  
Bucklersbury House,  
3 Queen Victoria Street,  
London, EC4N 8DX

6 August 1979

Registered and Head Office in Rome

## BANCO DI SANTO SPIRITO

Established 1605

The General Shareholders' Meeting held in Rome on the 30th of April under the Chairmanship of Mr. Vincenzo Firni and with the participation of the General Manager, Mr. Mario Torchio, approved the Balance Sheet as of 31st December 1978 which shows a net profit of 5.5 billion lire.

The meeting approved the payment of a dividend of 12.50%, applicable to the whole capital of 28 billion lire raised during 1978, as well as the allocation of 2 billion lire to ordinary reserve. Total capital funds now amount to 172 billion lire. During 1978 total deposits increased by 25.5% to 4,941 billion lire, of which 3,442 billion lire represent customers' deposits. Total investments amount to 2,348 billion lire with an increase of 17.3%.

A considerable improvement was achieved in the field of services; the international business has continued to make a steady progress with a particular emphasis on promoting Italian enterprises abroad.

During the year two city branches were opened in Rome as well as a main office in L'Aquila.

The dividend is payable from May 2nd.

**1978 BALANCE SHEET**

ASSETS	(billion lire)	LIABILITIES	(billion lire)
Cash and at call	765.7	Capital and Reserves	170.0
Securities and investments	1,816.1	Deposits, current accounts	4,940.9
Overdrafts	2,348.3	Provision for risks, losses and depreciations	120.3
Other assets	812.5	Other liabilities	436.5
Contra accounts	4,820.2	Net profit	5.8
		Contra accounts	4,820.2
			10,182.5

This announcement appears as a matter of record only

# ennia NV

the Hague, the Netherlands

Dfls 100,000,000

9 1/4 % Bearer Bonds 1979 due 1983/1986

Amsterdam-Rotterdam Bank N.V. Algemene Bank Nederland N.V.  
Nederlandsche Middenstandsbank N.V.  
Pierlon, Helding & Pierson N.V.  
Bank Mees & Hops NV  
Nederlandsche Credietbank N.V.  
N.V. Slavenburg's Bank  
Bank Van der Hoop Otters N.V.  
Centrale Rabobank

Deutsche Bank Aktiengesellschaft  
Swiss Bank Corporation (Overseas) Limited  
Kreditbank S.A. Luxembourgaise

July 31, 1979

This announcement appears as a matter of record

Arab Bank Limited and Margan Grenfell Investments Limited announce that The Arab and Margan Grenfell Finance Company Limited, a former jointly owned Company has been wholly acquired by Arab Bank Limited as of 5th June, 1979. Following this acquisition the name of the Company has changed

to

## Arab Bank Investment Company Limited

Board of Directors  
A.M. Shoman, Chairman  
K. Shoman, Deputy Chairman  
T.J. Kassem, Chief Executive  
A.A. Dajani  
The Hon. D.A.C. Douglas-Home  
M. Masri

The address and telephone number is unchanged  
9 Ironmonger Lane, London EC2 Telephone: 01-606 7491

مكتبة النهر

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abbey Growth, Abbey Income, etc., with columns for name, manager, and other details.

Table listing unit trusts including Abbey Unit Trust, Abbey Growth, Abbey Income, etc., with columns for name, manager, and other details.

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OFFSHORE AND OVERSEAS FUNDS

Table listing offshore and overseas funds such as Alexander Fund, Allen Harvey & Ross Inv. Mgt., etc., with columns for name, manager, and other details.

NOTES: This section contains important information regarding the unit trusts, including details on how to obtain prospectuses and other relevant information.

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CIL The British computer systems and software company

FT SHARE INFORMATION SERVICE

FOOD, GROCERIES—Cont.

BRITISH FUNDS

Table of British Funds including 'Shorts' (Lives up to Five Years) and Five to Fifteen Years.

AMERICANS

Table of American Stocks including various companies like Amgen, Amstar, and Amstar.

OVER FIFTEEN YEARS

Table of Over Fifteen Years funds including various investment options.

UNDATED

Table of Undated funds.

INTERNATIONAL BANK

Table of International Bank funds.

CORPORATION LOANS

Table of Corporation Loans including various companies.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans including various companies.

LOANS

Table of Loans including various companies.

FINANCIAL TIMES

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SUBSCRIPTIONS

Copies obtainable from newspapers and bookstalls worldwide or on regular subscription from Subscription Department, Financial Times, London.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails including various international securities.

BANKS & HP—Continued

Table of Banks & HP including various financial institutions.

CHEMICALS, PLASTICS—Cont.

Table of Chemicals, Plastics including various chemical products.

ENGINEERING—Continued

Table of Engineering including various engineering companies.

AMERICANS

Table of American Stocks including various companies.

HIRE PURCHASE, etc.

Table of Hire Purchase, etc. including various financial services.

DRAPERY AND STORES

Table of Drapery and Stores including various retail companies.

BEERS, WINES AND SPIRITS

Table of Beers, Wines and Spirits including various beverage companies.

CANADIANS

Table of Canadian Stocks including various companies.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of Building Industry, Timber and Roads including various construction companies.

ELECTRICALS

Table of Electricals including various electrical companies.

BANKS AND HIRE PURCHASE

Table of Banks and Hire Purchase including various financial institutions.

HOTELS AND CATERERS

Table of Hotels and Caterers including various hospitality companies.

INDUSTRIALS (Miscel.)

Table of Industrials (Miscel.) including various industrial companies.

FOOD, GROCERIES—Cont.

Table of Food, Groceries including various food and grocery companies.

FOOD, GROCERIES—Cont.

Table of Food, Groceries including various food and grocery companies.

CHEMICALS, PLASTICS

Table of Chemicals, Plastics including various chemical products.

ENGINEERING

Table of Engineering including various engineering companies.

ENGINEERING TOOLS

Table of Engineering Tools including various tool companies.

FOOD, GROCERIES—Cont.

Table of Food, Groceries including various food and grocery companies.

Handwritten text at the bottom of the page.



INDUSTRIALS—Continued

Table of industrial stocks including companies like British Petroleum, Shell, and ICI, with columns for price, volume, and other financial metrics.

INSURANCE—Continued

Table of insurance stocks including companies like Royal Indemnity and Commercial Union Assurance, with columns for price, volume, and other financial metrics.

PROPERTY—Continued

Table of property-related stocks including companies like British Land and National Westminster, with columns for price, volume, and other financial metrics.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like British Venture and British Venture, with columns for price, volume, and other financial metrics.

FINANCE, LAND—Continued

Table of finance and land-related stocks including companies like City of London and City of London, with columns for price, volume, and other financial metrics.

DAWA BANK advertisement with logo and text: 'a fully integrated banking service', 'Head Office: Osaka, Japan'.

MINES—Continued AUSTRALIAN

Table of Australian mining stocks including companies like BHP, Anglo American, and Anglo Coal, with columns for price, volume, and other financial metrics.

TINS

Table of tin stocks including companies like Anglo Tin Mines and Anglo Tin Mines, with columns for price, volume, and other financial metrics.

OVERSEAS TRADERS

Table of overseas trading companies including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

RUBBERS AND SISALS

Table of rubber and sisal stocks including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

TEAS

Table of tea stocks including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

INDIA AND BANGLADESH

Table of Indian and Bangladeshi stocks including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

Sri Lanka

Table of Sri Lankan stocks including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

AFRICA

Table of African stocks including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

MINES CENTRAL RAND

Table of central Rand mining stocks including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

EASTERN RAND

Table of eastern Rand mining stocks including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

FAR WEST RAND

Table of far West Rand mining stocks including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

O.F.S.

Table of O.F.S. stocks including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

FINANCE

Table of finance stocks including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

CENTRAL AFRICAN

Table of central African stocks including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

LEISURE

Table of leisure stocks including companies like British Leisure and British Leisure, with columns for price, volume, and other financial metrics.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like British Motors and British Motors, with columns for price, volume, and other financial metrics.

Commercial Vehicles

Table of commercial vehicle stocks including companies like British Commercial and British Commercial, with columns for price, volume, and other financial metrics.

Components

Table of component stocks including companies like British Components and British Components, with columns for price, volume, and other financial metrics.

Garages and Distributors

Table of garage and distributor stocks including companies like British Garages and British Garages, with columns for price, volume, and other financial metrics.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks including companies like British Newspapers and British Newspapers, with columns for price, volume, and other financial metrics.

PAPER, PRINTING

Table of paper and printing stocks including companies like British Paper and British Paper, with columns for price, volume, and other financial metrics.

ADVERTISING

Table of advertising stocks including companies like British Advertising and British Advertising, with columns for price, volume, and other financial metrics.

PROPERTY

Table of property stocks including companies like British Property and British Property, with columns for price, volume, and other financial metrics.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including companies like British Trusts and British Trusts, with columns for price, volume, and other financial metrics.

TOBACCOS

Table of tobacco stocks including companies like British Tobaccos and British Tobaccos, with columns for price, volume, and other financial metrics.

INDUSTRIALS

Table of industrial stocks including companies like British Industrials and British Industrials, with columns for price, volume, and other financial metrics.

INSURANCE

Table of insurance stocks including companies like British Insurance and British Insurance, with columns for price, volume, and other financial metrics.

SHIPPING

Table of shipping stocks including companies like British Shipping and British Shipping, with columns for price, volume, and other financial metrics.

SHOES AND LEATHER

Table of shoes and leather stocks including companies like British Shoes and British Shoes, with columns for price, volume, and other financial metrics.

SOUTH AFRICANS

Table of South African stocks including companies like British South Africans and British South Africans, with columns for price, volume, and other financial metrics.

TEXTILES

Table of textile stocks including companies like British Textiles and British Textiles, with columns for price, volume, and other financial metrics.

PROPERTY

Table of property stocks including companies like British Property and British Property, with columns for price, volume, and other financial metrics.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including companies like British Trusts and British Trusts, with columns for price, volume, and other financial metrics.

TOBACCOS

Table of tobacco stocks including companies like British Tobaccos and British Tobaccos, with columns for price, volume, and other financial metrics.

INDUSTRIALS

Table of industrial stocks including companies like British Industrials and British Industrials, with columns for price, volume, and other financial metrics.

INSURANCE

Table of insurance stocks including companies like British Insurance and British Insurance, with columns for price, volume, and other financial metrics.

NOTES

Unless otherwise indicated, prices and dividends are in pence and denominated in 25p. Estimated price/earnings ratios and other statistics are based on latest annual reports and accounts and, where available, are updated on half-yearly figures. Dividends are based on the basis of full distribution; bracketed figures indicate 10 pence or more otherwise indicated as a "half" distribution. Dividends are based on a "reduced" basis unless otherwise indicated. Dividends are quoted inclusive of the investment date premium.

STERLING DENOMINATED SECURITIES WHICH INCLUDE INVESTMENT DOLLAR PREMIUMS

"Half" stock. Dividends are based on a "reduced" basis unless otherwise indicated. Dividends are quoted inclusive of the investment date premium.

RECENT ISSUES AND RIGHTS PAGE 19

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously only in regional markets. Prices are in pence and denominated in 10p unless otherwise indicated in London, are as quoted on the Irish exchange.

OPTIONS 3-month Call Rates

Table of 3-month call rates for various stocks including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

CENTRAL AFRICAN

Table of central African stocks including Anglo Siam and Anglo Siam, with columns for price, volume, and other financial metrics.

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Rush & Tompkins Builders & Civil Engineers

**Cossiga ends Italian government crisis**

BY PAUL BETTS IN ROME

AN ITALIAN Government led by the Christian Democrat Sig. Francesco Cossiga was sworn in yesterday. This ended, temporarily at least, the country's longest, most bitter, and confused Government crisis in some 30 years.

Sig. Cossiga was the fourth politician to try to form a Government since the inconclusive general election two months ago. It took him only 48 hours to assemble an administration composed of 16 Christian Democrat Ministers, four Social Democrats, two Liberals and two so-called "Technocrats".

The Government is not strictly speaking a political coalition but a compromise to allow a truce between the embattled political parties. It is expected to win the confidence of Parliament later this week.

The Christian Democrats, Social Democrats, and Liberals will vote in favour at the end of this week's confidence debate. The Socialists, who hold the key to any working parliamentary majority without the Communists, will tacitly support it by abstaining. The Republicans are also likely to abstain, while the Communists will vote against it.

After the sharp deterioration in the political climate during the past weeks, the new administration is essentially designed to give the country a working

Government until a more stable political solution is eventually found.

This is not likely to be an easy process in view of the bitter rift between the Socialists and the current Christian Democrat leadership, which earlier opposed an attempt by the Socialist leader, Sig. Bettino Craxi, to form a Government.

Major divisions have now also surfaced between the smaller parties.

In any event, no solid and longer-term solution is expected to emerge until the Christian Democrats—at present deeply divided amongst themselves—have held their key national congress scheduled in the late autumn.

**Economic problems**

The new Government is expected to concentrate essentially on the country's immediate economic problems and measures to tackle law and order.

Sig. Virgilio Rogmoel was confirmed as Interior Minister. A Christian Democrat, he was first nominated Interior Minister last year following the resignation of Sig. Cossiga, who formerly held the portfolio after the death of Sig. Aldo Moro, the Christian Democrat leader.

The Prime Minister has put together what is generally regarded to be a strong economic team in the Cabinet

in view of the renewed pressures on the Italian economy.

Latest estimates indicate the country's annual rate of inflation this year could reach 18 per cent compared to an original target of 12 per cent.

The added cost of energy imports and the deterioration of the terms of trade are already putting strains on the balance of payments current account.

Sig. Filippo Maria Pandolfi, who before Sig. Cossiga tried unsuccessfully to form a government, was reconfirmed at the Treasury. The budget portfolio has gone to Senator Nino Andreatta, the economic adviser of the late Sig. Moro, while Sig. Francesco Reviglio, a "technocrat" of socialist sympathies and finance professor at Turin University, has been named Finance Minister.

A leading jurist, Sig. Massimo Severo Giannini, was appointed Minister for Public Administration. There was no such post in the last Government and this indicates Sig. Cossiga's intention to tackle the urgent problem of a reform of Italy's chaotic public administration.

Sig. Arnaldo Forlani, the Foreign Minister in the last three administrations of Sig. Giulio Andreotti, has been replaced by Sig. Franco Maria Malfatti, the first Italian President of the EEC Commission and Finance Minister in the last Government.

**Oil search off China 'may start next year'**

BY DAVID HOUSEGO, ASIA CORRESPONDENT

WESTERN OIL companies believe that exploratory drilling might begin in China's offshore waters by late next year or early 1981.

China's continental shelf remains one of the few promising offshore areas in the world in which there has been virtually no exploitation.

Seismic surveys are being carried out by Western companies, including British Petroleum, in eight concession areas in the Yellow Sea and the South China Sea.

BP is surveying a large area in the Yellow Sea. Its contract with the Chinese lays down that it must hand over the seismic data of its preliminary survey and its interpretation of the findings by March 31 next year. Other companies have been given similar deadlines.

The Chinese have told Western officials that they are drawing up a law setting out the terms of offshore exploration and development. Western companies expect some form of production-sharing arrangement. The Chinese have indicated that they hope to have the law ready this winter.

Once its details are known and the Chinese have the interpretation of the data in their hands, which, for many areas, they may have by January, they will be in a position to

denominate blocks for drilling. The blocks might be opened to bidding by international companies by the middle of next year.

BP is acting as operator for a group of about 16 companies. It has an office in Shanghai.

Neither BP nor any of its partners, which include Atlantic Richfield, Union Oil, Phillips, Exxon and Elf Aquitaine, have obtained rights to drill as a result of survey work.

The seismic survey was originally estimated to cost \$6m. An initial agreement was made with BP in February and a contract concluded in June.

In spite of the slow-down of their present three-year readjustment programme, the Chinese are clearly giving priority to offshore exploration. Oil offers the greatest prospect of sharply increasing their export earnings.

There are signs that the leadership is awaiting the preliminary results of the offshore programme before making further calculations on the scale of the country's plant imports and on what it can afford to borrow.

Elf Aquitaine is surveying an area adjacent to the BP sector. Exxon, Mobil, Caltex and Phillips are operators for four areas in the South China Sea.

Atlantic Richfield has an exclusive programme south of Hainan Island and Amoco is the operating company in a survey to the west.

Estimates by the CIA, based on admittedly sparse evidence, have put China's offshore reserves at about 39bn barrels. The Chinese have conducted only sporadic seismic surveys of their offshore waters, which are of only moderate quality by Western standards.

The maximum water depth in the area that BP is surveying is 230 feet; thus oil could be brought in to production in as little as 18 months to two years from the discovery of commercially exploitable deposits. BP is believed to have been told by the Chinese that its sector borders a recently discovered offshore field.

The Chinese have also been engaged in negotiations with Japan over appraising and developing deposits in the Gulf of Bohai. Agreement has been held up, however, over differences on sharing the risks and the financing.

The rising pace of China's domestic consumption will inevitably restrict the country's exportable surplus. Production last year amounted to 2m barrels a day, of which net exports were about 330,000 barrels a day.

**Rail surcharge plan in reserve**

BY LYNTON McLAIN

BRITISH RAIL is unlikely to introduce fuel surcharges to cover higher operating costs at least until the end of the year. But this will make even more certain that substantial increases in rail fares—perhaps more than 20 per cent—from January.

Move to hold back fuel

surcharges for passengers and freight depend, however, on further stability of fuel supplies and prices.

The British Rail board has managed so far to cushion the worst effects of fuel shortages and price rises by improving efficiency and cutting some local services.

The possibilities for other savings are thought to be limited, unless there are substantial cuts in main-line services.

The services were cut by 2 per cent in June and a similar amount was cut from the British Rail fuel bill. Some trains started operating with two instead of the usual four power units.

Mr. Sidney Weighall, general secretary of the National Union of Railworkers, warned last month that increases in rail fares of between 20 per cent and 25 per cent may be inevitable.

But the British Rail board has not finalised the figure for a January increase. It has to strike a balance between covering increased operating costs and not raising fares so much that travellers desert the trains.

Sir Peter Parker, chairman, told the annual meeting of the National Union of Railworkers in June that there would be no further general increase in rail fares this year. "But he did not rule out the possibility of fuel surcharges."

The last rail fare increase was in January when tickets rose by an average of 9 per cent.

The interim report on British Rail's electrification proposals, which could cost up to £520m, is now with the Government and the British Rail board. The report of a year's work by a group set up by Mr. William Rodgers, the former Transport Secretary, to examine the case for expanding electrification, the report costs various options, but does not say how much revenue would be generated.

**Weather**

UK TODAY

CLOUDY, outbreaks of rain, some heavy, in the north. Warmer, mostly dry, sunny intervals in the south. London, S.E. England, E. Anglia, E. Midlands, Channel Is. Cloudy, occasional rain at first, becoming dry with sunny intervals. Max. 25C (77F). W. Midlands, Central N., N.W., N.E., E. England Mostly dry, sunny intervals. Max. 24C (75F). S.W. England, Wales

City	Max	Min	City	Max	Min	City	Max	Min	City	Max	Min
Adonis	19	14	Genoa	24	19	London	21	16	Paris	21	16
Algiers	27	22	Catania	30	25	Luxembourg	18	13	Rome	23	18
Amman	31	26	Cairo	32	27	Lyon	21	16	St. Petersburg	24	19
Amsterdam	18	13	Chengde	28	23	Madrid	23	18	Sydney	21	16
Athens	26	21	Chongqing	32	27	Moscow	18	13	Taipei	29	24
Bahia	28	23	Chungking	32	27	Mumbai	28	23	Tokyo	26	21
Bombay	29	24	Delhi	34	29	Nagasaki	23	18	Yokohama	26	21
Buenos Aires	19	14	Hankow	32	27	Osaka	23	18			
Calcutta	29	24	Harbin	24	19	Seoul	26	21			
Canton	30	25	Hongkong	28	23	Tientsin	24	19			
Colombo	29	24	Kobe	25	20	Urumqi	23	18			
Dacca	30	25	Manila	28	23	Yantai	23	18			
Dhaka	30	25	Qingdao	24	19	Zhangjiakou	23	18			
Disse	19	14	Shanghai	28	23						
Dublin	15	10	Tientsin	24	19						
Hankow	28	23	Tokyo	26	21						
Hongkong	28	23	Tientsin	24	19						
Kobe	25	20	Tientsin	24	19						
London	21	16	Tientsin	24	19						
Luxembourg	18	13	Tientsin	24	19						
Lyon	21	16	Tientsin	24	19						
Madrid	23	18	Tientsin	24	19						
Moscow	18	13	Tientsin	24	19						
Mumbai	28	23	Tientsin	24	19						
Nagasaki	23	18	Tientsin	24	19						
Osaka	23	18	Tientsin	24	19						
Seoul	26	21	Tientsin	24	19						
Sydney	21	16	Tientsin	24	19						
Taipei	29	24	Tientsin	24	19						
Tokyo	26	21	Tientsin	24	19						
Yokohama	26	21	Tientsin	24	19						

FT SURVEY OF BUSINESS OPINION

**Industry feels more long-term optimism**

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE LEVEL of business activity has picked up since the spring and industry has become more optimistic about long-term economic prospects than before the general election. But businessmen are increasingly worried about the short-term outlook in view of an accelerating inflation rate and a probable recession.

This is indicated by the latest Financial Times survey of business opinion published today. The sectors interviewed this month are building and construction, food and tobacco and textiles and clothing.

The overall trend of business confidence over the last four months is shown as much higher in the FT inquiry than in last week's Confederation of British Industry industrial trends survey. The contrast may be partly explained by differences in the coverage and compilation of the two surveys.

Both inquiries are, however, in broad agreement that industry's new orders and deliveries have improved over the last few months by comparison with the aftermath of the poor weather and labour troubles of the winter.

The FT survey points to quite a sharp improvement in demand since the spring while the CBI survey suggested that below-capacity working was at its lowest level for more than five years. This is in line with other recent evidence such as continuing strong corporate demand for bank loans.

There is no evidence in the FT survey of any weakening of activity in the immediate future though the CBI warned that the outlook for orders and output was much less encouraging.

Although most economic forecasters now expect a recession over the next 18 months there is uncertainty about when the downturn will occur.

Industry is unanimous about the deterioration in the inflation outlook. Companies covered by the FT survey now expect wage increases of 13.8 per cent over the next 12 months, which is higher than at any time since March, 1978. The index of price expectations is now at its highest since the end of 1977.

An indication of the inflation prospects will be given later today when the wholesale price indices for July are published. They are likely to show the favourable impact of the strengthening of sterling upon manufacturing industry's raw material costs, though output or factory-gate prices are probably continued to rise steadily.

The other main economic indicators this week will come tomorrow when the banking figures for mid-July are due.

**Clydebank yard sale sought by Marathon**

BY RAY PERMAN, SCOTTISH CORRESPONDENT

MARATHON Manufacturing, the U.S. oil engineering corporation, is looking for a buyer for its UK rig-building yard, which would be sold at the beginning of the year by a Government order.

Some British and European companies are understood to be interested in the yard, at Clydebank.

Marathon is building a £12m jack-up oil rig for St. Vincent Drilling, a company set up by the Scottish Economic Planning Department and the British National Oil Corporation specifically for placing the order and saving the yard from closure.

The Texas-based corporation was reluctant to take the contract because of the low price and the slump in the European off-shore market, which made it unlikely that there would be follow-up work.

Although Marathon is committed to completing the contract, it would be willing to sell the yard before then if a buyer could be found.

Mr. Ian Kenny, convener of shop stewards at Clydebank, said it had been made clear by Mr. Gene Woodfin, president of the parent company, that Marathon was not interested in retaining the yard after completion of the order.

The Government would have to be consulted about any change of ownership since, as a risk capital of up to £100,000 provided by venture capital companies has also been discussed, but Sir Keith Joseph, Industry Secretary, is believed to have some reservations about the idea.

A more likely runner could be a scheme to develop the work of the industry Department's 10 regional small companies counselling services so that they use their local expertise and knowledge to sift through small business applications for equity or loans.

**Small company aid plans being drafted**

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A SERIES of financial and other initiatives to encourage the growth of small and medium-sized companies is being hastily prepared by Government departments for launching in the autumn.

The measures will include steps to make it easier for small companies to raise capital, the possible easing of local authority planning controls and procedures and simplification of Government legislation.

It has yet to be decided whether the measures will be announced as one "enterprise package" or whether they will be introduced gradually.

The pace of activity in Whitehall has quickened during recent weeks. Both Ministers and civil servants of departments such as the Treasury, Industry, Environment and Employment expect to be kept busy throughout the coming two months finalising ideas for the Cabinet.

The urgency stems from Ministers' awareness that the Budget's tax incentives will not work fast enough to unleash the entrepreneurial drive which they believe essential to combat rising unemployment and to counter a fall-off in industrial activity.

Some of the ideas now being considered will be shelved or discarded before the autumn. Many originated during the last two years of the Labour Government.

They include plans for the Government to encourage, and maybe subsidise, a guarantee scheme for clearing bank loans. The aim would be to reduce the administrative burden and the financial risk of banks lending to small companies with no track record.

A similar guarantee scheme for risk capital of up to £100,000 provided by venture capital companies has also been discussed, but Sir Keith Joseph, Industry Secretary, is believed to have some reservations about the idea.

**Rhodesia**

The British, with bitter memories of the abortive 1976 Geneva all-party talks, do not want to call a constitutional conference until it is pretty clear that the new constitution will be accepted.

The outline of the constitution will probably emerge in the conference communique. It will draw heavily on those clauses that guarantee the positions of Whites in Tanganyika, Kenya and Zambia independence negotiations. When it sees the light of day, it will be described as a "British-originated" constitution.

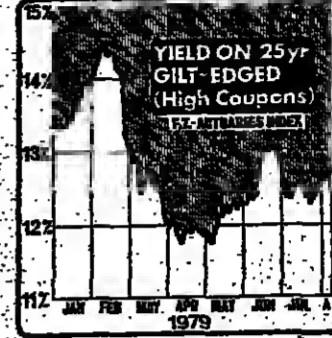
The sanctions issue, which has loomed large in the pre-conference discussions of Rhodesia, has not played a major role in the Lusaka talks. But the knowledge that the British order on sanctions runs out on November 15, and the difficulties that Mrs. Thatcher could face with a large section of her own party, have concentrated the minds of the main parties to the conflict.

The hope is that the problem of sanctions will go away. "Sanctions is a dead issue," is the attitude of one delegation that played an important role in this weekend's talks.

THE LEX COLUMN

**The cash squeeze on companies**

How bad a squeeze? British industry, judging by last week's CBI industrial trends survey, has suddenly woken up to the problems which confront it.



But there has not been any radical reassessment by the stock market: the All-Share Index may be a sixth off its May peak, but it is still around 9 per cent ahead for the year so far.

Forecasts of a financial deficit for the industrial and commercial company sector of £3.6bn, evoke memories of the notorious 1974 deficit of £4.4bn. But since then inflation has increased all the numbers by a factor of about 2.1. In real terms the £3.6bn seasonally adjusted deficit recorded for industrial and commercial companies in the first quarter of 1979—possibly a freak quarter—was only about half as great as the peak deficit reached in the second and third quarters of 1974.

As for the equity market, it has the protection that it has never returned to the fancy levels in real terms seen in the early 1970s. If you do not climb so high you cannot fall so far. In early August 1974 the All-Share was passing down through 100 on its way to the bear market low of 61.92. In terms of 1974 money, the All-Share is now no higher than about 114—and the financial squeeze does not seem likely to be anything like as serious.

But August 1974 and August 1979 are not precisely comparable points of the economic cycle. The parallels are not exact, but we could be around six months further away from a turning point than in the summer of 1974. The same could apply on the international stage, where the first wave of massive OPEC price increases hit the world economy in the autumn of 1973 but the second wave did not fully arrive until the spring of 1979—and then on a rather smaller scale.

In the last couple of weeks the City has come round increasingly to the view that the financial squeeze still has many months to run. Industry is experiencing particularly severe pressure on margins because of the strength of sterling, which is restricting the ability of manufacturers to raise prices at a time of rapid cost rises. Meantime spending on fixed assets and stocks has continued to rise in real terms in the first half of the year.

According to the CBI survey, which was conducted in the first half of July, companies are only just starting to think about

cutting back investment authorisations and there is certainly no sign of any sharp fall. There is a more widespread intention to ease back on stock levels—but the need to preserve tax relief on stocks could make companies reluctant to begin any crash programmes here.

Since companies are generally only modestly geared compared with 1974, and can usually rely on big unused overdraft facilities, there is no need for them to resort to emergency measures.

This could mean that the company sector will continue to run a large deficit in 1980—and it may well be that the personal sector will have to make room by cutting back on credit demand. For the equity market there is little reason to fear a 1974-style collapse, but there could be a long, bumpy ride ahead.

Insurance accounts

Simply excluding insurance companies from the provisions of Exposure Draft 25 will not make the problem of inflation accounting go away as far as the composites are concerned. At the very least they face the challenge that at some time in the next two or three years company taxation will very likely be shifted over to a basis which will look something roughly like the ED 24 system. It could be expensive for the insurance companies to be left out. More fundamentally, there is a continuing need to find an earnings measure for insurance companies—which corresponds more closely with their apparent capital requirements and dividend-paying capacity and incidentally also fits in with the stock market's empirical valuation of the sector.

Two brokers have just tackled the subject in research papers. One firm, Laing and Crutchbank, believe that the balance sheeting method composites are already adjusted broadly for the effects of inflation and, to a large extent, their earnings are

too. They draw the parallel with the banks, which have already established the principle that they should make a capital maintenance provision. So they recommend a simple adjustment to maintain solvency margins, though they cautiously suggest that this should only be at the rate of 20 per cent of pre-tax profits rather than the 40 per cent needed to maintain existing solvency margins in 1979.

Rule-of-thumb provisions are fundamentally unsatisfactory, however, and brokers Phillips and Drew try to probe deeper. Their solution is a two-stage adjustment to published earnings: first, they add the change in the market value of investments, and secondly they deduct a sum equal to the rate of inflation times the shareholders' funds.

The basis for this approach is that inflation brings balance sheet problems for insurance companies if their capital base is eroded. In real terms, their portfolio management is not successful enough to maintain the real value of shareholders' funds, however, then they finance the growth of premiums in money terms in line with inflation.

Normal accounting procedures do not make the income statements as if the capital base is eroded. In real terms, their portfolio management is not successful enough to maintain the real value of shareholders' funds, however, then they finance the growth of premiums in money terms in line with inflation.

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6th August, 1979.

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